

FINANCIAL TIMES



France

How did it get into this state

Europa Column, Page 18



Coca-Cola

Why shares are fizzing



Satellites

Size isn't everything Technology, Page 15 Today's surveys

Austria Business books

Separate Sections

World Business Newscaper

TUESDAY DECEMBER 12 1995

agrees interactive TV decoder deal

A group of leading German and French companies agreed on a standard for "set-top boxes" which decode television signals to allow telebanking, home learning and shopping, video on demand and other interactive TV services. Multimedia Betriebsgesellschaft, a consortium which includes Deutsche Telekom, Veba and Bertelsmann of Germany and the French media group Canal Plus, said the agreement was initially aimed at Germany. Europe's biggest cable and satellite television market. The deal ends months of secretive wrangling.

Vital week for US budget talks: The Clinton administration and the Republican controlled Congress have begun what could be a decisive week in their protracted negotiations over how to balance the US federal budget over the next seven years.

Bristol-Myers plans \$2.5bn cuts: Bristol-Myers Squibb, the US pharmaceuticals group, announced a further round of cost-cuts to

polster profit margins in the face of patent expiries

due in the coming years. Page 24 Swedish paper group to invest in Canada: Stora, the Swedish pulp and paper group, is spend-ing C\$650m (\$473m) on building a magazine paper plant in Canada in one of the biggest investments by a European company in the North American forestry sector. Page 22

HSBC shakes up insurance side: The Hongkong and Shanghai Banking Corp plans to reorganise its insurance activities in the Asia-Pacific region. Page 26

Planned liability law may protect firms: Lawyers, architects, surveyors, merchant bankers and doctors in partnerships will be able to take advantage of a new UK law designed to protect the personal assets of accountants from litigation. Page

Austrian leader heads for re-election: Franz Vranitzky appears headed for another term as Austria's chancellor after his Social Democratic party widened its lead in the final opinion poll to be published before Sunday's elections. Page 20; Survey, Separate section

Madrid car bomb kills six: A car bomb blamed by officials on Basque ETA separatists ripped through a busy Madrid district killing six people and injuring a dozen just four days before European Union leaders gather in the Spanish capital. Page 2

SMC head favours several buyers: The newly-appointed head of Société Marseillaise de Credit, the regional French banking group, favours ll-off to more than one investo forthcoming privatisation. Page 21

BTG loss less than expected: BTG, the former British Technology Group which floated in July, reported maiden interim pre-tax losses of £2.1m (\$3.3m) compared with profits of £290,000. The figure was better than the £2.5m forecast at flota-

Usinor shares fall 7% on warning: Usinor Sacilor, the French steel producer privatised this year, saw its shares fall 7 per cent as it warned that second-half net profits would be less than the FFr2.4bn (\$482m) recorded in the first six months of the year. Page 21; Lex, Page 20

S Korea to open up telecoms sector: South Korea said it will open its telecoms service industry to foreign ownership in 1998, although stakes held by overseas investors will be limited to minority shareholdings of up to 33 per cent. Page 12

Britain to expel Libyan diplomat: Britain ordered the expulsion of a senior Libyan diplomat in London, accusing him of spying and intimidating dissidents. Page 9 French network to bid for UK rail: SNCF, the

French state-owned railway company, could acquire a stake in Britain's privatised rail freight network. Tokyo detends foreign goods record: The Japanese government defended its record in govern

ment procurement of foreign products. Page 12 Famine could strike N Korea: South Korea's President Kim Young-sam warned that rapidly deteriorating conditions in North Korea, particularly a food shortage, could soon lead to a conflict.

Prince Charles sells sports car for charity: A private British collector paid £111,500 (\$170,000) for a 1987 Vantage Volant Aston Martin sports car used by Prince Charles which he donated for sale at the auctioneers Sotheby's to benefit charity.

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Europe consortium | French PM freezes rail reforms
Unions plan more protests today

Juppé offer fails to end strikes

Mr Alain Juppé, the French prime minister, yesterday made new concessions to union demands but failed in tense meetings with labour leaders to end the crippling 18-day strike against his proposed welfare reforms.

Leaders of the unions, which will hold more protest marches today, emerged defiant about their demands and pessimistic about an early breakthrough.

Mr Juppé announced he had put a "freeze" on his earlier plan to streamline the SNCF rail network over the next five years. Rail unions had objected to the plan's demands for productivity improvements. Mr Juppé said

"negottations will start within that Mr Juppé was still "ambigu-the company on a future plan" ous" about reform of public secthe company on a future plan' designed to map out SNCF's operations over the 1996-2000

Mr Juppé said he wanted further talks in an attempt to resolve the welfare dispute. He said he had asked Mr Jacques Barrot, the labour minister, to begin organising a meeting with unions next week, but did not make clear whether the welfare reforms would be open to talks.

Mr Louis Viannet, president of the CGT union federation, said he saw "no way out of the crisis for the moment". Mr Bernard Thibault, head of the CGT rail section which has spearheaded the 18-day rail strike, complained tor pensions despite his promise on Sunday to leave railwaymen's

retirement schemes untouched.
Mr Marc Blondel, president of
Force Ouvrière, said he urged Mr
Juppe to launch "global negotiations", involving business as well as union organisations and embracing the issues of wages and unemployment as well as welfare reform.

But Mr Jean Gandois, president of the Patronat employers' feder-ation, said his organisation was not prepared to attend such an economic summit with no precise or prepared agenda.

Signs of a government backtrack on the reforms depressed

Paris Bourse's CAC-10 index ending the day 0.36 per cent down at 1,849.59 points and the franc falling to end trading in Paris at FFr3.45 to the D-mark compared with FFr3.44 at Friday's close.

The franc suffered as a result of the concessions which Mr Juppé announced on television on Sunday night, but some foreign exchange operators said the franc's losses were tempered by a realisation that while Mr Juppe had made concessions to the rail unions, he had not retreated from his key welfare reforms.

Opposition Socialists and their leftwing allies, who took five seats off the government parties in Sunday's by elections to the

National Assembly, reacted furi-ously yesterday to Mr Juppe's announcement that he would this week push through enabling legislation for some of his welfare reforms by using a millotine procedure cutting off further debate. Communist deputies complained of Mr Juppe's "diktat".

Opposition parties have tabled a censure motion to try to thwart the welfare legislation. But Mr Juppe will be able to use his very safe parliamentary majority to approve the legislation. This will enable the government to pass at

Continued on Page 20 Juppé's budget. Page 3; Costly way to change. Page 18; French to bid for rail group, Page 14

TO SERVICE AND ADDRESS OF THE Samsung claims first for new chip prototype

By John Burton in Seoul, Louise Kehoo in San Francisco and Paul Taylor in London

Samsung Electronics of South Korea yesterday said it had become the first company in the world to complete the prototype circuit design for the newest generation of computer memory

The 1-gigabit synchronous dynamic random access memory (Dram) chip is expected to become a key component in computers and multimedia systems because of its immense storage capacity - about sixteen times that of the highest capacity

Drams available today.
A single chip 1Gb Dram, about the size of a thumbnail, will be able to store up to 15 minutes of moving pictures, 16 hours of sound, 400 still pictures, 8,000 newspaper pages or approximately 160 books.

Some Japanese companies had already developed elements of the new generation of memory chips and in October four of the world's leading semiconductor manufacturers. International **Business Machines and Motorola** of the US, Siemens of Germany and Japan's Toshiba. announced plans jointly to develop a 1Gb Dram chip. But Samsung said it was the first to develop a complete prototype.

Such chips are expected to contribute to making computers and other electronic products smaller and faster.

Each circuit element within the chip measures no more than O.16-micron, or one 640th of the thickness of a human hair. This is a 36 per cent increase in density over the most advanced chips in commercial production

Samsung aims to produce engineering samples of the 1Gb chip by 1997, but this will only be the first step. Technical challenges remain in the development of the processes needed to manufacture the chips in volume, so it is not yet clear which company will be first to market the chips. Details of the chip design will

be revealed tomorrow at the Continued on Page 20

Agnelli chooses 72-year-old as next Fiat boss

By Robert Graham in Rome and Andrew Hill in Milan

Mr Giovanni Agnelli yesterday caused a surprise by announcing he would be succeeded as chairman of Fiat by Mr Cesare Romiti, the 72-year-old chief executive of the Turin-based automotive

The news comes less than a week after Turin magistrates requested Mr Romiti be sent for trial on three charges of alleged corruption related to the operations of Flat subsidiaries.

Until now, those familiar with Fiat had believed that Mr Romiti would retire at the same time as his chairman, who is 74, to make way for a new generation to run Italy's largest private industrial

However. Mr Agnelli made it clear yesterday he regarded Mr Romiti's presence essential to preside over the "interregnum" as the next generation of managers and family members prepared

to assume control. The chairman also said he himself would be stepping down

within the coming months. Following this announcement Mr Agnelli's departure was widely expected to coincide with Fiat's annual meeting in June

The impending elevation of Mr Romiti follows a series of high profile public appearances in which he has offered his prescrip-tions to resolve the country's political and economic problems. This prompted press speculation that Mr Romiti was preparing to leave Fiat to enter politics.

Mr Romiti, who joined Fiat in 1974, has been chief executive since 1976.

It was originally thought he would leave with Mr Agnelli in June last year and allow the latter's younger brother, Mr Umberto Agnelli, to take over. But the dramatic slump in Fiat's fortunes in 1993 obliged Mr Agnelli to change his mind.

In agreement with new nonfamily shareholders that included Deutsche Bank and Alcatel Als-thom, Mr Umberto Agnelli was excluded from the succession and the existing duo were kept on at the top with increased authority in the hands of Mr Romiti.

Mr Agnelli indicated then that he would be needed for at least another two years at the helm -Fiat's rules lay down compulsory

retirement at 75.

Meanwhile, the line of eventual succession was pointed towards Umberto's eldest son, Mr Giovanni Alberto Agnelli, now aged 31 and on the Fiat board. Two elements appear to have

prompted Mr Agnelli to announce his departure. Fiat's fortunes, he feels, have changed and the group faces a period of solid growth with profits this Continued on Page 20

World Trade News



was working intensively with its allies and Belgrade to secure the release of two cap-

ing in Sarajevo suburbs, as France said it punitive action against the Serbs had been suspended. The US administration said it was "very hopeful" that the pilots would be

free soon. Sarajevo's residents (above) demonstrated in support of the Moslem-led government's insistence on a united capital. Bosnian Serb leaders will hold a referendum today on the peace accord.

Clinton moves to restart Mideast peace negotiations

By Patti Waldmeir in Washington and David Gardner in London

US president Bill Clinton yesterday moved to break the deadlock in attempts by Israel and Syria to reach a peace settle-ment, announcing he would send Mr Warren Christopher, the secretary of state, to the Middle East later this week. Mr Clinton agreed to the new

peace shuttle after a meeting with Mr Shimon Peres, the new Israeli prime minister, at the White House, at which Mr Peres is understood to have outlined a new strategy for the stalled talks. "We agree that to close the circle of peace it will take more intensive and more practical negotiations," Mr Clinton said. "Each side will need to make a greater effort to take into

account the other's concerns." Mr Peres, in a joint press conference with Mr Clinton, said that Israel wanted to go "full speed ahead" to resolve the two countries' differences. The US president earlier spoke

by telephone to Syrian president Hafez al-Assad, and said that the atmosphere for a settlement had "President Assad told me he

was committed to do his best to

undertaking Damascus had demanded to restart talks. The June talks were solely about security arrangements, and foundered because of Israeli insistence on keeping an early-

move the peace process forward," Mr Clinton said, and added his

firm insistence that the security

of Israel would remain a main

In June, Syria suspended talks with Israel in Washington over

security arrangements on the

Golan Heights in the event of an

Mr Peres yesterday refused to

be drawn on the question of

whether Israel is prepared to make a commitment to surrender

all of the Golan Heights if its

pillar of US defence policy.

Israeli withdrawal.

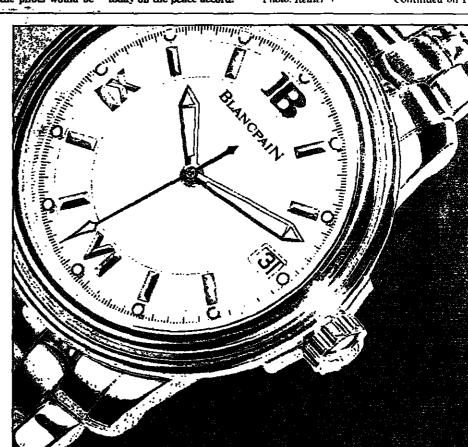
after an unspecified withdrawal. Suggestions of a compromise whereby US or international troops could man a monitoring station on the Heights were dismissed out of hand by Syria last month. "There will be no foreign presence on Syrian soil." Mr Abdel-Halim Khaddam, Syria's vice-president, said, adding "neither American, nor Russian, nor

warning station on the Golan

Editorial Comment, Page 19

Chinese nor anything."

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Schüssel tries to shake up Austria's politics

The conservative politician who forced the country into its second election in 14 months talks to Ian Rodger in Vienna

olfgang Schüssel sur-prised himself and just about everyone else in Austria in October by breaking up the country's coalition government and forcing a second general election in 14 months.

A career politician, Mr Schüssel describes himself as Consensus Man with a feel for compromise solutions. He claims that he could see the makings of a compromise in the tortuous negotiations between his conservative People's party and the Social Democratic party in early autumn over reducing the 1996 budget deficit. But then the Social Democrats, under pressure from trade unions and left-

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UK/Netherlands:

grammes and he had no choice but to walk out.

We need a decision [by voters] so that the direction of budget and financial policy will be clear. Everybody knows what we have to do; the criteria for economic and monetary union are fixed. But it was impossible under the old government," Mr Schüssel said in

Social Democrat leaders agree that the budget deficit problem is "serious", as Mr Franz Vranitzky, the chancellor, puts it. But they say that Mr Schüssel walked out of the talks because of the rise in his party's popularity since he became leader in April. There was just a chance that the People's party could overtake the Social Democrats and wrest control of the government from them for the first time in 25

Whatever the truth, with less than a week to go until the election on Sunday the two parties are still running fairly close to each other.

Mr Schüssel has conducted an effective campaign, even facing down the wily Jörg Haider, the Freedom party's populist leader, in a television

By contrast, the Social Democrats have been dull, retreating to a purely defensive stance. The campaign's main issue - prudent public sector budgeting - is Mr Schüssel's.

wingers, stiffened their opposi-tion to cuts in social pro-est national newspapers behind him.

"The Social Democrats have ruled for 25 years and the people are used to it." Mr Schüssel said. "There has been a socialist trend in all the parties, and what I did is not the normal Austrian way. I do not speak softly about possible new gifts or bonbons. "We [the People's party] also have a problem to explain why we were partners with the Social Democrats for

nine years. We are blamed, too. "I want more flexibility, more reform. I want to open parliament, to get out of the corset, to find free majorities. That is not the normal Austrian way. Ever since Empress Maria-Theresia, reforms have come from above. I want to try

a bottom-up movement.
"People need time to think it over, to decide whether they can trust this man. Is he chancellor material?"

His big strategic gamble has been to refuse to rule out an association of some kind with the Freedom party, giving opponents an opportunity to portray him as unreliable.

He reasons that Freedom attracts voters who are fed up with the existing cosy coalition and respond to Mr Haider's withering criticisms of its abuses of power. But opinion polls consistently show that about half of Freedom party voters would not want the mercurial Mr Haider himself to be

"I want to give these people an attractive offer, to give them confidence that I really want to change something." said Mr Schüssel. "Besides, it is better to offer something positive than to fight him." He counters opponents' criti-

cism by saying that there is no chance of Mr Haider himself holding a ministerial post because there would never be a parliamentary majority to rat-Apart from a judicious trimming of social spending pro-

grammes, the main planks in Mr Schüssel's platform are closer security ties with other western European countries and more liberalisation and privatisation. However, he champions a domestic solution for the long-

running dispute over the com-pletion of the privatisation of Creditanstalt-Bankverein, the country's second-largest bank. This is in direct opposition to the plan put forward by the previous government to offer the state's 70 per cent voting stake to the highest international bidder. That offer had to be abandoned when the government collapsed in October.

Mr Schüssel said he wanted to see "an Austrian interest" maintained in a few important sectors, such as electricity, gas, oil and banking. In the case of Creditanstalt,

he was attracted to an offer made by a consortium of Austrian, German and Italian groups partly because it sortium proposed buying only



Mr Wolfgang Schüssel (right) walked out of budget negotiations in the autumn with the Social mocrats of Chancellor Franz Vranitzky (left)

offered the opportunity to bring about much needed structural reform in the Austrian banking sector. First Austrian, or Erste Oes-

terreichische Spar-Casse Bank, is a member of that consortium and is committed to taking a 7 per cent stake in Creditanstalt.
"It would be a perfect co-operation. Creditanstalt is strong in commercial banking and internationally, especially in central and eastern European countries, while Erste has roots in Vienna and is strong

in retail banking," Mr Schüssel He pointed out that the con-

about half of the government's stake, and to underwrite a secondary issue of the rest in the stock market. That meant that the majority of Creditanstalt shares would float freely among international investors.

The idea of a Creditanstalt-First Austrian alliance has been discussed increasingly in Vienna banking circles since First Austrian joined the bidding consortium led by the Generali insurance group of Trieste last year.

But a full merger of the two might be difficult for the proud Creditanstalt to accept. It is by far the larger bank, with more than Sch600bn (£49bn) in total

assets compared with First Austrian's Sch226bn. But First Austrian is 100 per cent owned by a Vienna foundation, which would probably emerge as the combined group's largest shareholder.

Mr Schüssel seems unconcerned about the likelihood of more stress and strife in Austria's public life after next Sunday's election.

"My predecessor used to complain that Austrians have a tendency to make compromises even before conflicts emerge. I think we are moving in a positive direction, towards European normality, with nor-

car bombe ex blamed on Eta

By David White in Madrid

Basque separatists brought their intermittent terror campaign back to the streets of Madrid yesterday with a car bomb attack in which six people died and about 20 were

injured, several seriously.

The bomb, which went off just before 3pm in a busy area in the south east of the capital, destroyed a van belonging to the Spanish navy. All the dead were reported to be civilian staff working for the navy. It was the bloodiest terrorist

attack in Spain for more than two years and only days before European Union heads of state and government were due to gather in Madrid for a summit starting on Friday.

Interior ministry officials said "all signs" indicated that the attack was the work of Eta, the illegal Basque independence organisation. It followed two earlier car bombs in Madrid this year, including a failed assassination attempt in April on Mr José María Aznar. leader of the conservative opposition Popular party, who is tipped to become prime min-

ister next year.
Yesterday's attack brings to 13 the number of deaths attributed to Eta this year. The attack appears to confirm that Eta has been able to maintain an operating base in Madrid as well as in parts of the Basque

Following a series of arrests on both the French and Spanish sides of the border, Eta is believed to have been reduced to a few few dozen hard-core terrorists and to be concentrating its efforts on a limited number of attacks, selected for their spectacular effect.

It is feared the organisation may build up its campaign around the time of the general election scheduled for March in an attempt to bring pressure against a new government. The aim would be either to force negotiations on a settlement or to provoke a heavy-handed crackdown, which could have the effect of reinforcing support for Eta within the Basque region.

Winter poll campaign leaves most Turks cold

It is hard to tell that Turkey is less than two weeks from a crucial election. The streets are devoid of banners, posters, campaign jingles and convoys of cars decorated with party colours.

Bitter winter weather does damp enthusiasm and the growth of television is reducing the importance of rallies, but there is no mistaking the country's mood of near total indifference to the December 24 poll.

Attempts by Mrs Tansu Ciller, the prime minister, to whip up enthusi-

asm at election rallies have fallen flat. Last week in Diyarbakir, regional capital of the mainly Kurdish southeast, she faced a small, bored crowd.

"I came to ask you for your support." she said. "I take my strength from you! Trust me!" But only a small group of flag-waving supporters showed any reaction. One onlooker who refused to give his name said: "I just came to watch. I have nothing else to do. I am unemployed." He said he would vote for Hadep, a party campalening for Kurdish rights.

Fighting between the guerrillas of the Kurdistan Workers party (PKK)

and government forces has raged for 11 years, causing some 20,000 deaths and forcing millions of people from their homes. So it is hardly surprising that Mrs Ciller should face a cold reception in Diyarbakir.

But she has confronted equally sullen crowds at other venues. She kicked off her campaign in Erzerum, the city where Kemal Atatürk began his struggle to create a modern republic. Now Erzerum is a stronghold of the Islamic fundamentalist Refah party and Mrs Ciller attracted a crowd of only 3,000. A rally in the southern city of Antalya, where left-

wing parties are strong, also flopped. Opinion polls indicate her conserva-tive True Path party is trailing Refah, which has about 20-22 per cent of the vote, and the opposition conservative Motherland party. Mainstream parties will probably form a coalition to shut Refah out of power if it wins, but its advance still represents a significant challenge to one of the Moslem

world's few secular democracies. Voters blame Mrs Ciller for heavy inflation, falling living standards and widespread corruption, but it is too early to write her off. An effective campaigner, she transmits vitality

and warmth, and her blonde good looks contrast starkly with her dour, male opponents. Mr Mesut Yilmaz, the Motherland party's uncharismatic leader, is a dull speaker. Outside the southeast, Mrs Ciller's

ferocious opposition to Kurdish separatism is a powerful election weapon. and voters see her as a symbol of modernisation and progress. Tomorrow, the European parliament is expected to ratify a customs union between the European Union and Turkey. Party propaganda already portrays her as "the woman who took Turkey into Europe".

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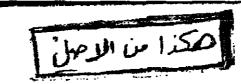
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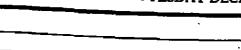
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EUROPEAN NEWS DIGEST

Thyssen loses top executive

Mr Hans Jakob Zimmermann, a leading executive at Thyssen, the German steel and engineering conglomerate, has been forced to resign in the latest of a series of scandals involving senior German executives.

Mr Zimmermann, who was expected to become chief executive of Thyssen's biggest division early next year, resigned last week following an anonymous letter to Mr Heinz Kriwet, Thyssen's chief executive. It emerged he had used company services to rebuild his home and had received cut price services from Hochtief, the German construction group which earlier this year was caught up in a similar scandal at Opel, the auto group.

The public prosecutor in Dusseldorf is considering bringing fraud charges against Mr Zimmermann. Executives at companies including Opel, Mannesmann and most recently Giesecke & Devrient, the company which prints Germany's banknotes, have recently been caught up in scandals.

According to a report in the news magazine, Der Spiegel, Hochtief rebuilt Mr Zimmermann's villa in Essen for DM500,000 (\$345,000) when the job should have cost DM782,000. A number of companies which provided services for the villa were linked to Thyssen Schulte, one of the companies Mr Zimmermann was responsible for. Hochtief yesterday denied all allegations of wrongdoing. Michael Lindemann, Bonn

Papandreou suffers relapse

Mr Andreas Papandreou, Greece's prime minister, was reported to be in critical condition yesterday with a new infection. A spokesman for the Onasseion Cardiac Hospital. where he has been in intensive care for three weeks, said the premier appeared to be suffering from a "hospital infection".

Mr Papandreou's condition had appeared to be improving. He was no longer on a respirator and had been able to talk to his wife, Dimitra, for the first time yesterday. The improvement had encouraged officials of the governing Pan-Hellenic Socialist Movement to speculate that he would be out of hospital by Christmas and would be able to resume his duties. However, Pasok now faces deepening divisions between those who want to replace Mr Papandreou immediately and party stalwarts who are determined to wait

Turkish army purges Islamists

Turkey's general staff yesterday dismissed 50 servicemen suspected of involvement in radical Islamic politics. According to press reports, the general staff will purge another 2,000 soldiers after general elections on December 24. Radical Islamists are frequently accused of attempting to

penetrate the armed forces and the generals have stage purges several times before.

Analysts said yesterday's removal of 18 officers and 32 NCOs was intended as a warning to Refah, the radical Islamic party leading in opinion polls, that the army would tolerate no

deviation from Turkey's secular and pro-western traditions. However, observers dismissed fears that the army, which has carried out three coups d'état in recent times, would intervene to prevent Refah coming to power. Refah, which seeks to establish an Islamic state, is expected to take about 20-22 per cent of the vote, more than any other party. This could give it about a third of the seats in parliament, but mainstream parties are expected to form a coalition to keep Refah from taking power.

Dutch PM optimistic on Emu

Mr Wim Kok, the Dutch prime minister, said yesterday he was optimistic the Netherlands would be able to bring down its public debt, raising the country's chances of joining a single European currency in 1999.

The Netherlands already meets many of the criteria for European monetary union, such as low inflation and interest rates. But its public debt, projected to stand at 78.4 per cent of gross domestic product in 1996, down just 0.3 percentage points from 1995, is well above the Emu target of 60 per cent. But the country would be able to qualify if it showed it was making progress on cutting debt. "Nobody in the Netherlands believes that you can achieve a reduction to 60 per cent in a year or two. But that is not even necessary [for Emu participation]," Mr Kok said. Ronald van de Krol, Amsterdam

Hungary debates media reform

Hungary's parliament last night began debate on a bill designed to liberalise and provide a new regulatory framework for the broadcast media.

Under the draft law, the state's second television channel and a presently unused former Soviet channel as well as Radio Danubius, a popular radio station, will be offered to private investors on a concession basis for 10 years.

A number of radio frequencies will also be offered to the private sector. The state, however, intends to retain control of MTV1, the main national television channel, and Duna TV, a Viroinia Marsh, Budanes satellite channel.

Car sales up 12.5% in Italy

Italian new car registrations rose 12.5 per cent in November from the same month of 1994, reversing a trend of declines, the Transport Ministry said yesterday. Some 149,600 new cars were registered, against 132,978 a year ago. The rise, after eight months of falling registrations, followed a year-on-year decline of 8.9 per cent in October. The ministry said registrations were up 1.3 per cent in the first 11 months compared with the same period last year.

Among foreign producers, Volkswagen was the biggest seller in November. Its market share rose to 7.62 per cent from 5.1 per cent in November 1994. Ford came next, although its market share fell to 6.42 per cent from 8.96 per cent previously.

France's consumer prices rose 0.2 per cent in November compared with October, bringing year-on-year inflation to 2 per cent, according to preliminary estimates, the government

■ Belgium's current account surplus rose to BFr229bn (\$7.7bn) in the first half from BFr169bn a year earlier, the central bank

Norway's consumer price index fell 0.1 per cent to November 15 from October 15, bringing year-on-year inflation to 2.1 per cent, the country's state statistics agency said.

FINANCE & LEASING ASSOCIATION DIPLOMA EXAMINATIONS 1995 PRIZE WINNERS

Mr John Bridgeman, Director General of the Office of Pair Trading, will today prea the prestigious FLA Diploma Examination prizes at the Savoy Hotel, The Strand, ondon. The Diploma is the prime industry qualification for those working in consumer credit, business credit, financial and learning or credit cards.

The 1995 prize winners are: (Sir Hugh Ferguson Jones Memorial Prizes Melanic James, OKO Pinance Lat: Jennider Fairtwire, London'd North Cen Adil Abdal OKO Finance Ltd. (John Hoddell Memorial Prize) Lesley Cars. Yorkshire Bank Ret (F) A Council Prize) Turva Holliday, Chancred Trust Pic.

(Credit Card Group Prize) man's Prize). Louise Wilson, GVD Finance Ltd.

(Executive Board Prize) Paul Juler, Barclays Mercar (A Victor Adey Memorial Prize) (The FLA Higher Dickens Prize)
Anthony Wedlake, Chartered Trust Ple.



Juppé's budget arithmetic still on track

David Buchan analyses the French premier's selective appeasement

lain Juppé "has not yet eaten his hat, but he has eaten the rim of it", wrote Mr Serge July, editor of the Libération newspaper, after France's prime minister made concessions to appeare the strikers against his welfare

reforms. The changes, on public sector pensions and on reforming the SNCF railway, are so far relatively minor, which is partly why he has made them. They do not in themselves greatly increase the arithmetical challenge of bringing France's public deficits from more than 5 per cent of national output this year to 3 per cent by 1997, which would allow the country to be in at the start of European mone-

ceed - to pursue Mr July's metaphor - in ramming the rest of Mr Juppé's welfare reforms down his throat. Most

union leaders came out of talks

with the prime minister yester-day distinctly unmollified, and

refused to call off today's Mr Juppé's new strategy of selective appeasement is to ditch two aspects of public sector reform which provoked the most anger among strikers but which were financially marginal to his welfare reform plan, announced last month. Following Mr Juppé's prom-

But the unions may yet suc- continue to draw full pensions ances and pensions - of the at 50 and his "suspension" of the Le Vert commission's

> slice the overall social security deficit from FFr60bn (\$12bn) this year to FFr17bn next year. For this, he was only banking on the 1993 reform - already under way - of the state pension fund for private employ-

study into lengthening pension contributions for state employees in general, reform of public ions looks most unlikely. But this reform never entered Mr Juppë's calculations of bow he was going to

Mr Juppé still plans to push his reform of the three legs -health insurance, family allow-

social security system's "general regime" through parliament. He seemed undeterred by the loss of five National Assembly seats, including a Rhône valley constituency held by the right since 1945, in by-

elections on Sunday. He is now

to use a parliamentary "guillo-

tine" procedure - bringing an abrupt end to debate - in order

to pass enabling legislation

have put so much stress on

this week.

But this year's social security deficit, though big and getting bigger, is still less than a fifth of this year's FFr322bn budget deficit. It is thus puzzling that Mr Juppé should

deficit, even to the extent of planning an FFr11bn surplus in 1997.

He may have been goaded by

criticism that his first six months of power produced no structural reforms. He may also have wanted to capitalise on the public's general expectation that social security accounts should, in principle. balance, which no one expects of budgets. Next year's budget deficit is set at FFr287.8bn, but the economic damage done by the strikes will make that target all the harder to hit.

may come back to haunt him.

One last concession made by Mr Juppe on Sunday night

To calm union fears of ram-pant privatisation, the government is to propose a constitutional amendment that would guarantee "equality of access

and quality" of public services. The general idea is to entrench opposition to European deregulation of France's public services. But the only specific threat which the government wants to ward off is deregulation of Electricité de France; even with the sister company of Gaz de France, the government seems open to some partial privatisation. In sectors where he wants to see liberalisation, however, Mr Juppé may find it awkward to have unions invoking "equality of access and quality

Retail big-hitters trade blows in 'cultural' clash

One of France's top book and record retailers yesterday started legal action against a leading rival which it claims is unfairly copying its pioneering approach to sales.

FNAC, part of the large Pinault Printemps Redoute retail group, confirmed it was suing Leclerc, a retail chain which has been placing increasing emphasis on new ways of sell-

FNAC is trying to defend the idea of "cultural spaces" which it pioneered more than 15 years ago as a way of luring prospective purchasers into its stores to buy goods.
All of its 45 outlets in

RATP metro/bus drivers can

France and some in other countries have a similar approach: a space at the entrance to the shops and normally an auditorium where it holds exhibitions, concerts and discussions linked to its goods.
It argues that the idea is linked more broadly to a style of presentation of "cultural products" on sale in its stores, including signs, colours and arrangement of shelves.

However, Leclerc, which is now marketing itself as the second largest bookseller in France after FNAC, has also started introducing cultural areas in its stores, and says it is planning to create 80 of them over the next five years. FNAC charges in its action, which is due to be heard in the French courts on December 20. that Leclerc is simply copying. in a move that is detrimental to the spirit of healthy compe-

Mr Michel-Edouard Leclerc, co-chairman of Leclerc, dis-missed the action, calling it "completely stupid and....a defensive reaction of a company which senses its

monopoly being threatened". He said that what FNAC found really frustrating was that Leclerc was changing from becoming simply book merchants into "real profes-

sional book-sellers". But he stressed that his group's approach was different, using colours which were not the same as those of FNAC and selling in smaller stores in suburbs and smaller towns "deserted by FNAC". He said:

FNAC forgets that it is not an institution but a company which must accept competi-

tion. Leclerc says it now derives FFr1.2bn (£158m) in annual sales from books. CDs, records, videos and computers. FNAC says it has 23 per cent of the French market for records and 13 per cent for books - which account for nearly FFr2bn of its FFr9.5bn annual turnover.

For \$399, Evan Kourambas finally found the Fountain of Youth.



As a computer graphics designer, Evan Kourambas had just seen his studio spend a million dollars on state of the art visual effects like morphing. It aged him.

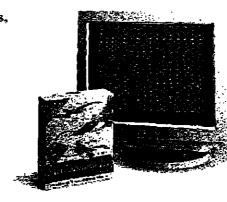
That was before he went to Taiwan and met an unusual software company, Ulead Systems. They showed him their Media Studio Pro. the world's first complete digital video and audio editing software for PCs.

Evan watched it transform raw video footage into a finished production. Using 101 video and audio tracks. Applying three-dimensional movement to text and film. Adding titles. Creating surreal effects through its morphing system. All for less than four hundred dollars.

Ulead had developed what Taiwan's high tech designers do so well. A product that sets new standards in innovation and added-value. We call it INNOVALUE. And it is one reason IBM, AT&T, Compaq, Microsoft and others will buy over a billion and a half dollars worth of computer products from Taiwan this year.

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Ulead's Media Studio Pro is displayed beside

another Symbol of Excellence winner, the

AcerView 98i color monitor.

Belarus finally elects its first parliament

By Matthew Kaminski

Voters in Belarus have rejected President Alexander Lukashenko's call for one-man rule by electing the country's first post-Soviet parliament

Election results released yesterday showed 59 more deputies were elected, joining 139 picked over the past six months to exceed by 24 the two-thirds of the 260-seat chamber needed for a quorum The previous incapacitated assembly had left Belarus as the only former Soviet republic yet to elect a parliament after the fall of communism

There is now likely to be a struggle for power between the president and the parliament. A requirement for a 50 per

cent turnout had invalidated the vote in many constituencies in the first two rounds of elections in May, leaving Bela-rus with only 119 MPs. Another 20 MPs emerged in the first round of the second elec-

Mr Lukashenko had threatened to impose direct presidential rule if the latest elections failed to deliver a parliament. His tight restrictions on campaigning, with limited election expenses and no access for candidates to national media, as well as open attacks on the democratic process, prompted strong criticism from western observers and united the politi-

cal opposition. "Democracy has been seriously scarred, and now it's time for the healing process to begin," said Mr Stanislau Shushkevich, the country's first post-Soviet leader, forced to resign in 1994, who won a seat on Sunday. "Given the monstrous conditions of the campaign, this was an amazing outcome and completely unexpected."

Mr Mecheslav Grib, who is speaker of the outgoing parliament and who has been leading opposition to Mr Lukashenko, described the outcome as

"a victory for democracy".
"Thank you to our citizens for fulfilling their civic duty

Nationwide turnout in the country of 10m inhabitants was 52.4 per cent, after a surprisingly high 61 per cent for the first round on November 29, despite what a European Parliament observer called the president's attempts to "sabotage" the election.

Analysts in Minsk, the Belarus capital, said growing frus-tration with Mr Lukashenko's

The president has difficulty. accepting compromise and a democratic opposition. His instincts are essentially Bolshevik'

increasingly dictatorial style, steadily falling living standards and broken political promises probably brought the country's usually quiescent and conservative voters out to

The communists and their Agrarian allies will be the biggest single grouping, with about 80 seats. About half the seats are held by independents, usually from the old communist establishment. Along with Mr Shushkevich, other moderately progressive candidates to win seats included Mr Stanislau Bohdankevich, the exchairman of the country's central bank who last year led the fight against a campaign led by the president for a currency union with Russia.

More elections may be called next spring to fill the remain-Belarus's weak democratic institutions and traditions

allowed Mr Lukashenko to rule by diktat, ignoring the country's highest court and cracking down on free trade unions. Leading politicians in Minsk

despite all the obstacles placed forecast that Mr Lukashenko in their path," Mr Grib said. would let parliament meet, but would let parliament meet, but there were likely to be battles ahead over the three main questions facing Belarus division of power between between the legislature and judiciary, economic reform and relations with Russia.

"The president is charismatic, a very powerful force who has difficulty accepting the idea of compromise and a democratic opposition," said a western diplomat in Minsk. "His political instincts are essentially Bolshevik."

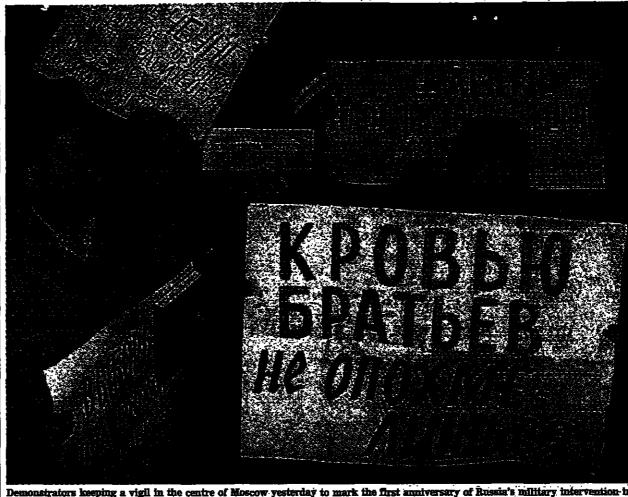
A mercurial collective farm oss, Mr Lukashenko wavers between strong economic co-operation to outright politi-cal union with Russia, under the guise of a super-Slavic state also incorporating Ukraine. His pro-Moscow with a weak national identity, is sometimes used to delay economic restructuring.
President Lukashenko put a

brave face on the result. The presidential spokesman, Mr Vladimir Zametalin, said the president was "particularly happy about the election".

Some hope that closer contacts with Russia could force Belarus to reform, but the country's neighbours are concerned that Minsk's reluctance to get its economy in order and strengthen its independence particularly if willingness to reunite with Moscow gives encouragement to nationalistcommunist groups expected to do well in Russian elections. Other prominent opponents

President Lukashenko to win seats in the latest voting were the former deputy prime minister. Mr Viktor Gonchar. and the former foreign minister, Mr Pyotr Kravchenko.

The Popular Front, which champions the Belarussian language and traditions against Russian influence, failed to elect a single member. Most of their hopefuls were running in Minsk where 23 districts remain unrepresented because



strators keeping a vigil in the centre of Moscow yesterday to mark the first anniversary of Russia's military intervention in

Chechen shadow over Russian poll

Less than a week ahead of parliamentary elections, the Russian government was faced with an unwelcome reminder of one of its most discredited decisions as up to 10,000 demonstrators yesterday took to the streets of Chechnya's capital, Grozny, to demand a complete pull-out of Bussian troops from the separatist region.

There was also a Chechen peace rally in the centre of Moscow. The protests, which marked the first anniversary of the Russian invasion, are the most recent indica-tion that Moscow's attempt to legitimise its presence in breakaway Chechnya by holding local elections on Sunday is unlikely to succeed. They also provided dditional ammunition for opposition politicians who are expected to benefit in Sunday's nationwide nariiamentary elections from widespread public dissatisfac-

tion with the present government. Mr Alexander Lebed, the former general and charismatic leader of the Congress of Russian Communities, a newly formed nationalist party, expected to do well in the polls, yesterday insisted that elections

cannot be held "while a war is going on". He also warned that "falsification of the

results will be inevitable". At the opposite end of the political spectrum, a group of Bussia's leading human rights organisations yesterday released a public appeal to the Kremitn warning that a new round of fighting would be pro-voked unless the elections were cancelled

"The firm intention of the federal executive to hold these elections means that the president and the government of Rushave dropped the idea of political talks in Chechnya," the human rights groups said. "The resumption of largescale military activities will be the

But Mr Victor Chernomyrdin, the Russian prime minister and party leader of Our Home is Russia, the pro-government grouping contesting the election, maintained a brave face. In an interview with the CNN satellite news channel, Mr Cherayrdin insisted that communists would not take control of the government after Sunday's vote and that there would be no

but there will be no victory," Mr Cherno myrdin said, according to a transcript obtained by Reuter. Asked if communists would reverse economic reforms he said "there will be no change". However, Mr Chernomyrdin's ability to

get out on the streets and swing the large enth-hour decisions are expected to be crucial, will be hampered by his planned trip to Paris at the end of this week to ent Russia at the Bosnian peace

treaty signing ceremony.

Some Russian observers have questioned the decision by Mr Borls Yeltsin, the Russian president, to have Mr Cherno myrdin away from Moscow in the critical

final days before the vote.

In addition to missing the winding up of the election campaign, some Ru observers have warned that by attending the Paris ceremony Mr Chernomyrdin risked being linked in voters' minds to an agreement which many Russians feel is a fundamental betrayal of their nation's

Ukraine's PM takes fight to hardliners

By Matthew Karninsk

Mr Eyhen Marchuk, the Ukrainian prime minister, won a seat in Kiev's parliament on Sunday in a potential chal-lenge to the chamber's commu-

nist leadership.
Only six other deputies were elected in Sunday's by-elections for 45 vacant seats in the 450-seat parliament. Run-offs will be held later this month in 11 constituencies where the turnout met the 50 per cent requirement but no candidate received an absolute majority. Mr Anatoly Franchuk, the former prime minister of Cri-mes who was custed last week by the autonomous republic's parliament, also won a seat along with his son, Igor.

Mr Ivan Yemetz, the head of the Electoral Commission, said an average of 46 per cent of registered voters cast ballots on-Sunday. The lowest turnout was in the capital, Klev, and the highest was in Crimea. Sunday's vote was the first beld since last May when the

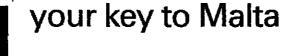
authorities said the government was spending too much woney on elections and called a six-month moratorium on

balloting.
As reforms falter and feuding intensifies between parliament, president and government, prime minister Marchuk yesterday appeared to vent his frustration with President Leonid Kuchma, who had recently criticised him. "People are tired of indecision and vagueness over how jobs are divided up in government," Mr Mar-chuk said.

Analysts in Kiev believe Mr Warchuk might try to replace the hardline speaker of parliament, Mr Oleksandr Moroz, and leave the prime minister ship - which would free him of responsibility for government failures and better place him to run for the presidency.

Ukraine's parliament pres ently exhibits a delicate balance between diverse political forces. There are about 180 communists and socialists and a roughly equal number of

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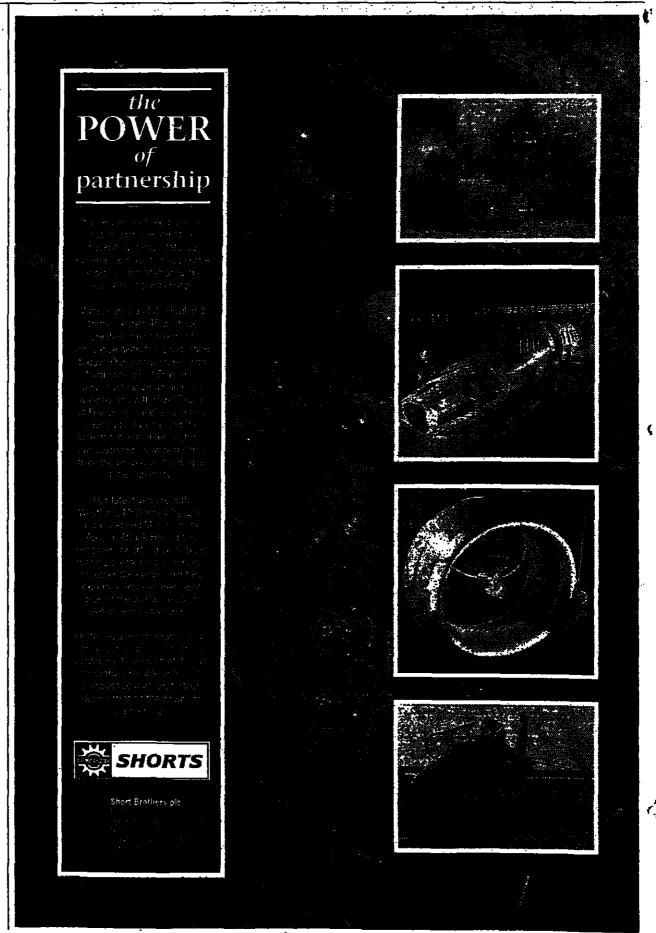
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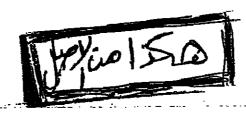
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FINANCIAL TIMES TUESDAY DECEMBER 12 1995 †★

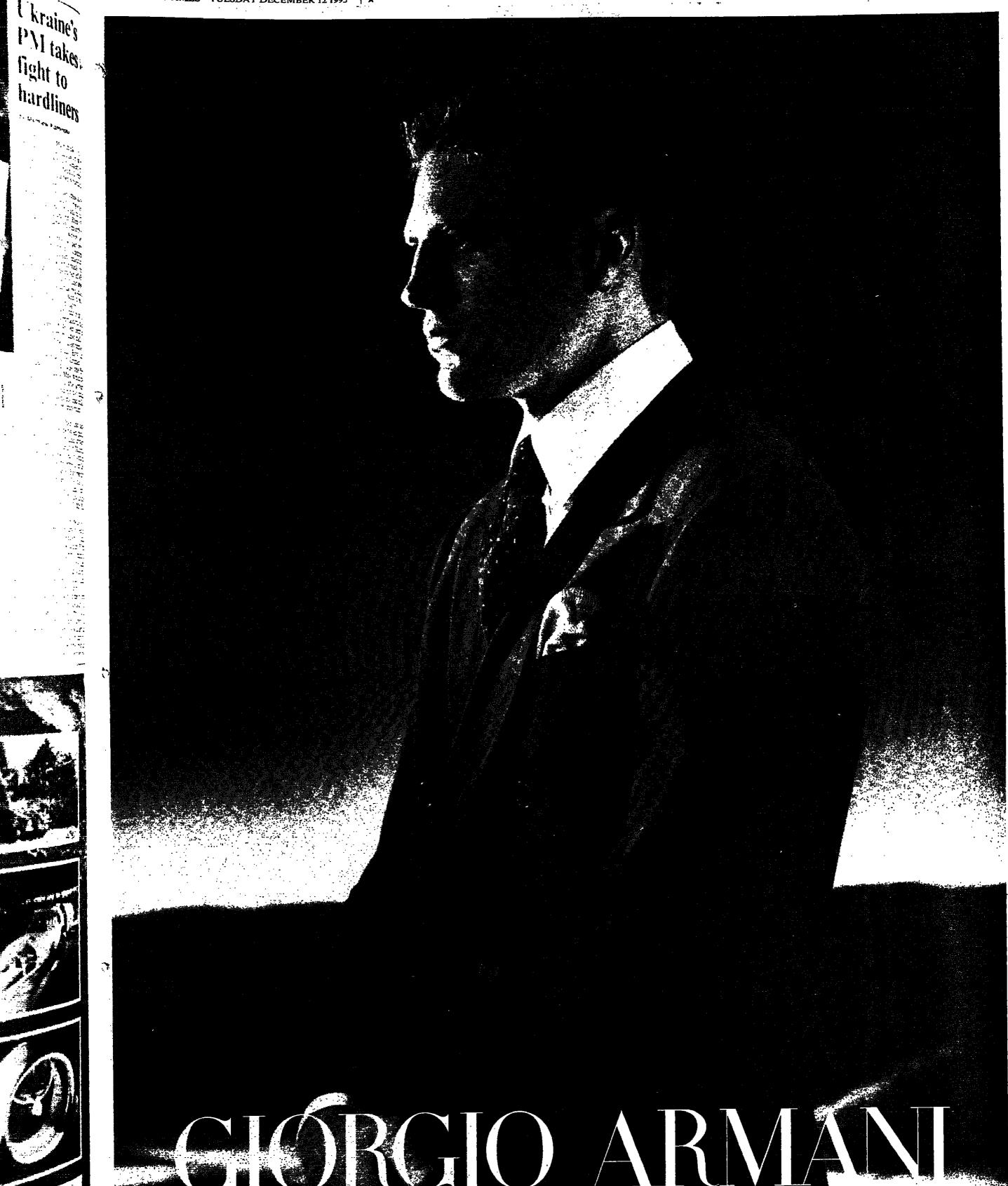
Kraine's

fight to

hardliners

THE RESIDENCE OF THE STREET STREETS STREETS STREETS

1



GIO ARMAN

faces second shutdown

By Jurek Martin, US Editor, in Washington

The Clinton administration and the Republican-controlled Congress yesterday began what could be a decisive week in their protracted negotiations over how to balance the US federal budget over the next seven years.

They are operating against a deadline of Friday midnight, when the temporary govern-ment funding bill is to expire. If no extension is agreed, government operations will be partly shut down for the second time in a month. .

Today, the Congressional Budget Office is to issue its revised economic forecasts. showing continued sustainable growth with lower inflation. Yesterday, the White House welcomed the expected upward revisions which, it said, would be more in line with the

administration's projections.

The importance of the CBO figures, which the Republican leaders insist are the principal yardstick in determining budget policy, could be to reduce the wide gap between the cuts in the growth of federal spending sought by Congress and by

The Republicans claim that President Bill Clinton's seven-year budget, outlined last week, still contained federal spending at least \$400bn more than needed to achieve balance by 2002. But projected tax revenues and lower inflationrelated payments to beneficiaries, based on an improved economic outlook, could create savings of about \$100bn.

Congressman John Kasich. chairman of the House of Representatives budget committee. said the new CBO figures should make possible "some improvements" in the existing

Republican plan. Congressman Dick Armey, House majority leader, predicted a revised Republican budget ready for

consideration by tomorrow. But neither side was ready to hold out hopes that an overall agreement was in sight. The rhetoric remained sharp. Vice-President Al Gore, for example, said in a television interview at the weekend that the Republicans, lacking the votes to force their hudget through Congress, were prepared to threaten a second government shutdown so as to impose their "extremist

agenda" on the country. Senator Bob Dole, Senate majority leader, and Mr Newt Gingrich, the House Speaker, telephoned Mr Clinton on Sunday and urged him to take part in direct negotiations before leaving for the Bosnian peace signing ceremony in Paris tomorrow evening. Mr Gore rejected suggestions that the president stay home because of the budget confrontation.

Mr Clinton showed no signs of budging on several major points, most notably the future of the Medicaid programme for about 37m poor and disabled Americans.

The Republicans want to cut \$163bn from forecast additional spending on Medicaid over the seven years to 2002 and turn it over to the states as block grants, while eliminating the federal guarantee (or "entitlement") that nobody be denied

In his weekend radio broadcast, the president said the "blunt reality" of the Republican plan would be "as many as 4m children" being denied needed medical care. The White House contrasted desirable reforms in welfare and Medicare for the aged with the destruction of Medicaid.

US Congress | Cuba back on cruise circuit

Pascal Fletcher on the first liner visit after more than three decades

The gleaming white cruise liner that nosed into Havana Bay early on December 2 carried, along with 480 mostly European passengers, Cuba's hopes of returning to the Caribbean cruise circuit after an absence of more than three decades. Hundreds of people lined the

harbour entrance, straddled by two Spanish colonial forts, to watch the entry of the Bahamas-registered Costa Playa, owned by a Genoa-based Italian company, Costa Crociere. For years, Havana's citizens

had been more used to seeing Soviet warships, tankers and fishing vessels passing the landmark Morro lighthouse that guards the harbour

But now President Fidel Castro's government, seeking to maximise hard-currency earnings from a fast growing tourist industry, has decided to try to put Cuba back on the regional cruise line map, where it once occupied pride of place as "The Pearl of the Caribbean" in the 1950s. This will not be easy. The US

economic sanctions that eliminated Cuba as a holiday playground for US tourists after the 1959 revolution were tightened in the early 1990s, barring foreign ships that traded with Cuba from US ports for six months. Miami, just a few hours' steaming time away across the Florida Straits, is at present the cruise capital of the Caribbean.

The strategy of Italy's Costa Crociere, whose sister-company. Costa Cross Line, operates cruises out of Miami, is to start its Cuba cruises from the neighbouring Dominican Republic. "It's totally separate. The cruises going to Cuba won't touch US ports," said Nicola Costa, Costa Crociere's president. The company plans to run weekly cruises stopping at Santiago de Cuba. Jamaica's Montego Bay, Havana, Nipe Bay on Cuba's north-east coast, and returning to Puerto Plata in the Dominican Republic.

The arrival of the 500-berth Costa Playa, carrying mostly Italian and German tourists, inaugurated a new cruise terminal in Havana port. The terminal, originally built as a customs wharf in 1914, was renovated in eight months at a cost of just over \$6m. It will be operated by a joint venture, Cubanco, formed between a Monte Carlo and Curacaobased company Milestone, controlled by Costa Crociere, and Cuba's transport ministry.

There are plans to modernise

Cuba's tourist

several more harbour piers

"It opens up a new area in

our tourist industry - cruise tourism," Mr Carlos Lage, Cuba's vice-president, said.

Cuban officials say the opening

of the cruise terminal will also

boost work, backed largely by

Spanish financing, to renovate Havana's decaying Old City,

which has churches and pal-

aces that go back to early

Since the collapse of Cuba's ties with the former Soviet

bloc. the island's communist

authorities have embraced

tourism as a quick-return

source of hard currency to

keep the sugar-exporting, oil-

Spanish colonial times.

industry

importing Cuban economy afloat Cuba at present has more than 30 tourism-related foreign investment deals, mostly with European and Canadian entrepreneurs.

After a fall-off in bookings earlier this year caused by the so-called "rafters' crisis" exodus of refugees in summer 1994, tourist arrivals are recovering strongly. Some 740,000 foreign visitors are expected in Cuba in 1995, a 20 per cent increase over the previous year, although below original

Gross revenue

1,5

one of 12 US travel and leisure industry executives that visited Cuba in early December. hosted by a Cuban state tour operator, Havanatur. Havana-tur had invited executives from leading US hotel chains. cruise lines, credit card companies, leisure companies, airlines and car rental compa to check out what the fledgling Cuban tourist industry has to

US tourist industry representatives, citing the "tremendous curiosity" felt by Americans



mat out for tourists

official forecasts. Cuban officials predict gross earnings from tourism will reach \$1bn in 1995, up from \$850m in 1994. They expect this income will continue to grow. "Cuba is a mythical destination for Europeans," Costa Cro-

ciere's Mr Costa said. Cuban officials hope it will be for US tourists as well, once the US embargo is lifted. If anything, Cuba's identity as a forbidden destination for US tourists has increased its lure in American

"For 35 years, it's as though it's been hidden behind a curtain," said Mr Mike Steward of Adventure Tours USA. He was

about Cuba, predict a rush of US tourists to the island once the US travel restrictions are eventually lifted. Cuban officlais believe as many as 1.5m US tourists could visit the island in the 12 months after this happens.

Cuba is not counting on a quick end to the US economic embargo. But the government is working to put tourism infrastructure in place and raise quality and efficiency levels to prepare for the rush. It has also started taking steps to curb prostitution, one of the most visible by-products of the growing Cuban tourism indus-

AMERICAN NEWS DIGEST

Venezuelans devalue bolívar

Venezuela announced a big devaluation of its currency yesterday, in an effort to restore confidence to its battered

Mr Luis Raul Matos Azocar, finance minister, announced the 41 per cent devaluation, from 170 bolivars to the US dollar-to 290 to the dollar, after an extraordinary cabinet meeting at the presidential palace. The exchange rate had been frozen at 170 presidential palace. since the government imposed strict foreign exchange controls

19 months ago.

Mr Matos said the decision was part of a government.

Mr Matos said the decision was part of a government. economic programme that it hopes will help secure \$3hn in financial support from the international Monetary Fund. The government has turned to the IMF for help to reverse a three-year trend of recession and high inflation.

The minister said the "emphasis is not only on economic growth, but also the creation of jobs and the elimination of poverty." He is leading the government team negotiating an agreement with the fund.

The exchange rate has been under pressure because inflation has continued unabated since controls were implemented, prices having risen by more than 80 per cent. Reuter and AP, Caracos

Coup leader wins state

A retired army officer who led a bloody coup attempt against the Venezuelan government has been elected governor of the oil-rich western state of Zulia, ending a week of tension and

violence over delayed election results.

Mr Francisco Arias Cárdenas, considered one of the masterminds of the coup attempt in February 1992, was pronounced on Sunday the winner of the elections, after a lengthy manual count of the votes. The poll took place on

Mr Arias, who represented the union-based Radical Cause Mr Arias, who represented the union-based Radial Cause (Causa R) party, gained control, by just 1,375 votes, of government offices he once stormed, election officials said. His main opponent, Omar Barboza of the Democratic Action party, refused to recognise the result and said he would

demand a recount. Tension caused by the long delay in announcing a winner in the close race has set off violent street protests by party militants last week. Troops were called in to patrol commercial areas and guard government offices in the state

Colombia chief decision near

The fate of Colombia's embattled President Ernesto Samper hung in the balance yesterday as a congressional committee met to decide whether he should face impeachment on drug

corruption charges. The 15-member Committee of Accusations of the House of Representatives has been investigating since August 1 charges that he personally approved the use of millions of dollars in drug money from the Cali cartel to win the presidential

Committee members gathered behind closed doors yesterday morning to decide whether to approve a final report sent to them last Wednesday by Mr Heyne Mogollón, the committee's chairman and chief investigator.

He has declined comment, but unsourced reports in the media last week said he had told fellow lawmakers there was not enough evidence to request a full congressional hearing into the charges against Mr Samper. If the committee votes toshelve its preliminary inquiry, it would effectively remove the threat of impeachment that has been hanging over Mr Samper's presidency since August. Reuter, Bogota

Winter weather hits US

The city of Buffalo in upstate New York dug itself out from about three feet of snow yesterday morning, as cold weather gripped much of the US.

Some 34 inches of snow fell on Buffalo on Sunday, shutting down the airport and cancelling more than 200 flights before it was reopened yesterday. Schools were closed and empty shopping malls looked like pre-Christmas ghost towns. More snow was falling yesterday with up to four more inches

In the northwest of the US, wind and rain were strong and heavy, with snow on higher ground in Washington, Oregon and northern California, and freezing rain as far inland as

Very cold wind chills were forecast from the Great Lakes to the central Appalachian mountains and the northern East Coast region. Snow squalls could dump three to six more inches of snow east of lakes Erie and Ontario.

Canada proposes tough new Argentine government pushes

Canada has proposed tough curbs on tobacco promotion and advertising, including powers to regulate cigarette ingredients and tobacco smoke emissions, writes Bernard

Simon in Toronto. The measures are intended to replace provisions in the existing Tobacco Products Control Act, which were struck down by the Supreme Court last September on the grounds they violated tobacco companies' right to freedom of expression.

The court indicated that some restrictions on tobacco advertising might be permissible, but these would need to be

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November 18 December Jamsary 1985 February March April May June June July August September October

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110.8 111.4 110.1 113.3

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FRANCE

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instance, the court ruled that health warnings on cigarette packages require attribution. Some of the proposals out-

lined yesterday by Ms Diane Marleau, health minister. appear to go further than the outlawed legislation. The 1988 Act. which was considered among the world's toughest anti-smoking laws, stated that "no person shall advertise any tobacco product offered for sale in Canada.

Ms Marleau said: "Comprehensive prohibitions and restrictions are the most effective means of achieving the government's public health

100.0 81.4 71.9 67.0 70.0 66.7 65.7 64.4 66.3 65.1 63.3 62.7 59.0 61.0

63.0 64.4 64.0 63.3 60.8 58.7 59.0 59.2 61.3 62.5 61.9

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111.0 110.7 111.4 111.7 113.3 114.6 112.2 113.1

clearer than the 1988 law. For objectives." She proposed a more flexible regulatory system to let the authorities clamp down quickly on changing market conditions and

industry practices. The measures, expected to be introduced in parliament next spring, also include stricter packaging and labelling requirements, restrictions on endorsements by athletes and other celebrities, and tighter curbs on sponsorships, which have become one of the tobacco industry's main promotional vehicles.

Anti-smoking groups welcomed Ms Marleau's

180.50 165.11 166.58 151.51 151.87 183.94 166.44 164.05 130.31 120.99

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75.0 74.2 73.9 72.5 66.3 64.1 67.4 67.5 68.3 70.6 71.0 69.8

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1965-100.

73.5 94.2 83.7 79.8 70.6 50.0 83.3 102.1 120.8 122.5

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JAPAN

228.2 208.9 194.7 218.7 245.5 220.0 247.6 254.8 300.0 323.5

81.1 82.0 87.5 81.3

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ITALY

103.7 99.4 100.7 108.3 127.8 133.6 137.0 137.9 144.3 160.1

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Due to the introduction of the Single Market, EC countries are currently changing to a new system of compling trade statistics. All trade figures are seasonally adjusted, except for the stalian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) backs, except for German and Italian imports which use the CFF method (including cartage, insurance and freight charges), German data up to and including June 1990, shown in tables, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

curbs on tobacco advertising for more power to legislate

The new Argentine Congress. where the governing party commands a majority in both houses for the first time since the restoration of democracy in 1983, was inaugurated vesterday amid pressure from the government to pass much legislation by year-end, writes David Pilling in Buenos Aires. Peronist administration, which has 132 of the 257 seats in the lower house and 38 out of 72 senators, is passage of the 1996 budget. Attached to it is a request to grant President Carlos Menem extraordinary

22.5 41.3 40.0 41.9 52.0 38.5 -15.6 -16.7 -13.4 -17.1

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UNITED KINGDOM

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E GERMANY

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Of prime concern to the

with Paraguay. powers that would enable him to cut expenditure and raise

consent

Such powers are aimed principally at balancing the budget next year to meet targets agreed with the International Monetary Fund.

The government is also trying to push through measures to increase capital gains tax and duty on cigarettes, as well as seeking swift congressional approval for the privatisation of Yacyretá, a huge hydro-electric dam jointly owned In spite of its congressional

majority, thanks to a strong performance last May in elections, the Peronist party is not

taxes without congressional likely to have things all its In the Senate, to which a new constitution has added a third member for each province, the Peronists have declined from 58 to 53 per cent.

This will make it harder to

pass legislation requiring a

two-thirds majority. Even in the lower house, where the Peronists increased their share of seats from 48 to 51 per cent. Mr Menem is not guaranteed support. Several powerful Peronist deputies, uneasy at the thrust of the president's neo-liberal policies, are likely to oppose a deepening of reform.

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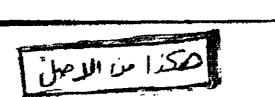
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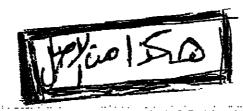
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Japan's loans: the bad and the ugly Famine could strike

ernment, the banks and the public to undertake a resmission for the country's financial system, now has to sort out another influential body - the yakuza, or gang-

Japanese banks are discovering that the careless lending during the "bubble" era of the late-1980s is coming back to haunt them.

Crime organisations were involved in property projects around the country, and now banks are also having to face gangsters, adept in legal and financial skills, who have taken over bankrupt companies and their debts.

The ministry says it cannot accurately estimate the total loans linked to the *yakuza* as the country's banks are reluc-

tant to provide such estimates. But Mr Raisuke Miyawaki, a former director of the National Police Agency's criminal inves-tigation bureau, believes that about 10 per cent of the banks' bad loans are gangster related. with another 30 per cent with probable links to crime.

Mr Sei Nakai, deputy director general of the ministry's banking bureau, concedes that a significant number of loans linked to organised crime has made the collection of those loans "complicated".



Gangsters at the funeral of one of their chieftains: also adept at legal and financial skills

Japan's crime syndicates started to play an increasing role in the "formal" economy during the stock and property boom of the late 1980s.

Some played the stock market, buying companies by cornering their stock, while others set up front companies which dabbled in the property market or became non-bank financial institutions lending on funds. eagerly lent out by banks and their financial affiliates during the era of easy money. The value were also widely

involved in helping companies and financial institutions' land speculation by intimidating landowners reluctant to sell. "The bubble ripped open the wall between the informal and formal economies," says Mr

Kovo Ozeki, analyst at Ibca. the credit rating agency. With the downturn of the economy, an increasing number of the crime syndicates focused on ailing or bankrupt companies, and banks suddenly found that instead of the

companies to whom they origi-

nally extended loans, they

were having to deal with gang-

Their methods included collateralising property assets already collateralised by other creditors, and subsequently refusing to agree to the sale of the property unless given a substantial pay-off, or shouldering bank loans from defunct companies or those on the verge of collapse for a commis-

sion and then refusing to repay

the banks by declaring themselves bankrupt. Another technique was sim-

ply to take over office buildines of defunct cornorations or property put in as collateral making it impossible for the banks to auction them off. "Due to the involvement of

the yakuza, the loans in effect

became non-performing," says Mr Ozeki. Bad loan collectors are more than reluctant to try to barter with the crime syndi-A series of killings of coroo rate executives - including a senior executive in charge of collecting had loans at Sumi-

tomo Bank and a vice presi-

dent of Hanwa Bank in 1993 -

thought to be linked to the

uakuza over the past few years

organisations.

However the ministry of finance has only just acknowledged the need for police involvement in resolving the predicament

The police on the other hand say they cannot prevent or solve the crimes unless requested by the banks or companies. Mr Miyawaki, says the police are unequipped to handle the gangsters' involvement in the bad loans crisis. Financial analysis warn that

the problem could drag on. Although half-year financial figures announced last month revealed that the banks wer aggressively writing off their bad loans, the institutions have chosen to build up loan loss reserves rather than liqui date the property collateral. Even if loss reserves are increased and the loan effectively written off, the financial institution's connections to the asset and organ-ised crime will remain," says Ibca's Mr Ozeki.

"Fiddling with figures is not good enough," says Mr Katsu-yuki Kumagai, general man-ager at Telkoku Data Bank, a private corporate credit data research company. "It does not free up the property market for new transactions and develop-

Gangsters have managed to muscle in on the financial crisis, writes Emiko Terazono Japan's finance ministry, have highlighted the risks of having persuaded the government the harks are started. The financial crisis, writes Emiko Terazono have highlighted the risks of having to negotiate with crime the harks are started. The finance ministry to negotiate with crime the harks are started.

By John Burton in Secul

South Korea's President Kim Young-sam warned yesterday that rapidly deteriorating conditions in North Korea, particularly a food shortage, could soon lead to a conflict. The North is starving, poor and lacks energy" and "looks like a disabled airplane" that could crash and kill thousands.

It was the most ominous reference yet by the Seoul government to the threat of political instability on the Korean peninsula as reports trickle out in North Korea that the country appears headed for a fam-ine by early next spring. Defence officials in Seoul

have already expressed worries that the worsening food short-age could trigger a North Korean "military provocation" against South Korea this winter in a last desperate attempt by Pyongyang to save itself from collapse.

Some analysts dismiss the warnings as alarmist, but a threatened famine could cause food riots and other civil rest or lead to a palace comp by the hardline military ainst Mr Kim Jong-il, the de facto North Korean leader. Pyongyang technocrats, who

North Korea yesterday angrily took the US to task for spreading a "false rumour that Pyongyang posed a threat to South Korea and Japan, Reuter reports from Tokyo. Foreign Ministry official

warned a "military confrontation" could develop and the country would have to take comper-measures if the US did not stop the rumours and drop its policy of hostility.

favour a gradual opening of the isolated country, might be discredited and lose power if international donors fail to respond adequately to the food crisis and instead, allow North

North Korea, once self-sufficient in food, has suffered from growing grain shortages in the 1990s due to an inefficient agricultural system, had harvests, and the end of aid from the former Soviet Union. The worst floods in a century last summer severely exacerbated the problem as North Korea's best farmland was inundated North Korean claims about the scale of the flood damage

were initially treated with scepticism by the outside world. Pyongyang said 5m people, almost a quarter of the population, were affected by the floods, which it claimed caused \$15bn (£9.8bn) in damage and left 100,000 families

Many foreign observers believed North Korea was exaggerating the flood da to gain free international food aid because it had run out of hard currency to buy grain: recently refused to ship more rice to North Korea because Pyongyang had not paid for

Some Seoul officials suspect emergency rice supplies recently provided by South Korea and Japan in a humanitarian gesture have been diverted to feed the military instead of civilians.

The international respon to North Korea's request for food aid has been cautious. Pledges of emergency support amount to \$13m, which is close to meeting an initial target of \$15m set by the United Nations, but most of that aid has not yet appeared.

Doubts remain on whether the promised aid is enough tosee North Korea through the winter. International aid is falling far short of the amount needed, according to Mr Trevor Page, United Nations World tive in Pyongyang.

Uncertainty still exists about the extent of the food shortage. Korean estimates of the overall grain shortfall range from 2.8m to 3.6m tonnes out of a total

The UN World Food Programme has promised to provide \$8.8m-worth of rice and cooking oil, while other aid is coming from private charities such as Médécins sans Frontières of France and World Vision of the US. This is in addition to 150,000 tonnes of rice supplied by South Korea in the summer, and 600,000 being delivered by

US officials, worried about the political instability the food shortages could cause, are encouraging private efforts to relieve the threatened famine, official contribution of only \$25,000 to the cause. Relief representatives. to the North Korean interior. describe a gloomy picture of

conditions there. Some families made home less by the floods are taking shelter in makeshift structures of plastic sheeting as they prepare to survive what is predicted to be the coldest winter in a decade. One International Red Cross official recently in North Korea said the food shortage "has reached a near-critical situation".

People have been seen scavenging in the fields looking for roots and wild plants. Children are showing signs of malnutrition. Despite such reports. South Korean officials are hesitating to offer more aid unless Pyongyang resumes regular dialogue with Seoul.

The South Korean govern-ment was heavily criticised for this summer's rice shipment because it did not bring any political concessions in return As part of efforts to repair frayed ties with South Korea. Japan recently promised not to provide more rice aid to North Korea unless Seoul approves the delivery.

But Seoul could relax its present tough attitude if circumstances warrant. "The bottom line is to prevent North Korea collapsing. We might give aid if the situation appears truly desperate," one foreign ministry official said. Even if North Korea survives

this winter without starving, it will probably have to continue to rely on international food 🔏 Its agriculture is in bad

shape. Arable land is limited. Productivity is poor and growing worse. Fertiliser supplies have fallen as production is affected by shortages. Farmland is covered by sand and mud; terraced slopes have been washed away.

In the absence of agricultural reforms and incentives North Korea's food problems

ASIA-PACIFIC NEWS DIGEST

Japan seeks to calm N-plant fears

lapanese officials yesterday tried to allay fears over nuclear afety as the clean-up of the country's experimental prototype fast-breeder nuclear reactor started; following a coolant leakage. "The accident fell within a range of predictions," Mr Tumio Tsutsumi, vice-minister of international trade and industry, said. Monju, the fast breeder reactor at the centre of Japan's plutonium recycling programme, was shut down last Friday following a leakage of two to three tonnes of liquid sodium coolant used in the primary cooling system.

The incident would not affect Japan's plutonium policy, Mr Tsutsumi added. Many critics have berated it as expensive and unnecessary when uranium fuel prices are falling sharply because of over-supply. The accident prompted an outcry from the anti-nuclear lobby and local residents.

The state-owned Power Reactor and Nuclear Fuel

Development Corporation, which operates Monju, has started to remove the sodium left in the cooling pipes. The reactor started operating in August and was running at 40 per cent capacity when the accident occurred. *Emiko Terazono, To*

Roh aide questioned over jets

South Korean prosecutors are today to question an aide to former President Roh Tae-woo over whether bribery was involved in a 1991 contract for 120 F-16 fighters from General Dynamics of the US. Mr Kim Chong-whi, former national security adviser to Mr Rob, is seen as a pivotal figure in the security anviser to har kon, is seen as a prvorar ngure in the decision to award the \$5.2hn (£3.4hn) contract to General Dynamics, which subsequently merged with Lockheed Martin. There have been widespread allegations in Korea that hickbacks to Roh administration officials led to the choice of F-16 over the McDonnell Douglas F/A-18 combat aircraft, which was favoured by the Korean air force. Lockheed Martin has denied ellegations of bufboar. has denied allegations of bribery.

China hopeful on inflation target

China expects to attain its inflation target for the year with . November retail price figures showing a slowdown to 15.4 per cent compared with the same period last year. "China has basically reached the macroeconomic control target, which was set at the beginning of the year, of keeping the price rise at around 15 per cent for the whole year," the State Statistical

Taiwan bank hit by withdrawals Overseas Chinese Bank of Taiwan, one of the country's

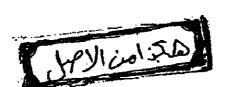
medium-sized banks, has suffered heavy withdrawals of deposits following news that it is under investigation by presecutors for allegedly extending large loans without sufficient collateral to a construction company. Mr Tsai Jui-lang, the bank's president, said late last week that the loans to Hsin Chieh Chung Construction, a company based in the central city of Taichung, totalled T\$2.7bn (£65m) and had been secured with sufficient collateral. Peter Harmsen, Taipe



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Bank president. And he has worked hard educating himself in the six months since he took charge: trekking in and out of more than 25 countries. Now, as he explained in a memo to its more than 6,000 staff circulated last week, it is their turn that of management in particular - to take some of the

Starting next year about 50 of what he called "our best people" are to be packed off back to college to learn how to manage. Others will be seconded into industry and private sector banks. They will return, the memo continued, equipped to liberate the energies and skills locked up elsewhere in the institution.

That is when the executive directors, representing the bank's restive shareholders, hope to see the pay-back start trickling in from Mr Wolfensohn's first significant manage-

His scheme has raised eye-

Britain yesterday ordered the

expulsion of a senior Libyan diplomat in London, accusing

him of spying and intimidating

The Foreign Office asked Mr

Khalifa Ahmed Bazelya, head

of the Libyan interest section

at the Saudi Arabian embassy,

to leave Britain by Christmas

day after declaring him per-

sona non grata for having

engaged in "activities incompatible with his diplomatic sta-

tus". Privately, officials con-

firmed this can mean spying

Britain broke off diplomatic

relations with Libya in 1984

after the killing of police-

woman Yvonne Fletcher out-

side the Libyan embassy in

London, from which the shots

were believed to have been

fired. The Italian embassy

and intimidation.

By Roula Khalaf

own administrative costs.

He has addressed what he sees as his main tasks - breaking the "armlock of bureaucracy", creating "a results cul-ture" and honing efficiency in an unusual style. He has shunned the slash-and-burn approach popular elsewhere and resisted any temptation to replace old hands with new blood or former favourites from his previous existence in Wall Street.

Instead, he increased the number of managing directors reporting directly to him from three to five by promoting a brace from his bag of 18 vice-presidents. Ms Jessica Einhorn, treasurer, moves up to take overall charge of mobilising finances and resources. Mr Caio Koch-Weser, vice president for the Middle East and Africa, will move up to share overall control of operations with Mr Gautam Kaji, one of the present MDs.

"It has been noted that there

Britain to expel Libyan

British interests since then.

Foreign Office officials

insisted yesterday the expul-

sion was unconnected with the

death last month of Mr Ali

Mohamed Abouzid, an oppo-nent of Col Musmmar Gadaffi,

the Libyan leader. Mr Abouzid

was found stabbed to death in

Observers, however, were

quick to make the connection

since dissidents suspect the

murder was at the instigation

of the Libyan authorities.

Although police officials say

no one has been arrested for

the murder and they have no

evidence pointing to any group

or government involvement, a

police statement last week said

the case had been referred to

Libyan experts said yester-

day Mr Bazelya headed Jana,

the Libyan official news

agency in London and was in

the anti-terrorist branch.

in Tripoli has looked after charge of monitoring the acts

his London grocery store.

diplomat for spying



Wolfensohn: tough memo

is not a single new face," said one critic. "Does it make sense? Will it make things more efficient to have operations split two ways?" According to bank insiders, the decision to involve managing directors directly in day-to-day management, giving them specific areas of responsi-bility, was the first decision Mr

of Libyan dissidents. He would

thus be held responsible for

any action taken against dissi-

dents by the Libyan authorities. They said UK authorities

had become worried about

reported threats on the exiled

Libyan community and may

Internal unrest blamed on an

have wanted to send Tripoli a

Islamist opposition has raised

tensions in Libya this year,

making the regime even more

more bellicose towards its own

population and the outside

world," said one expert. This

and frustration over continued

United Nations sanctions.

"The regime has become

the bank, because it marked a first step towards implementation of his main aim - to build incentives and accountability into the bank's culture.

This is the job handed down to Mr Sven Sandstrom, one of the existing MDs, who is being asked in effect to root out the civil service mentality pervading the bank It is understood he has been

given two years to succeed ... plus all the support he may need from the president Last week's staff note left no room for misinterpretation. Personnel and training were the bank's most important problem areas. Mr Wolfensohn "I would like people who

contribute to our success to be encouraged and rewarded, and I would like those who do not to be assisted to improve their performance or encouraged to do something else," he added. such ripe language, appeared to be reserving judgment.

noted that staff tended to get promoted more on the basis of how many loan projects they pushed through than on the effectiveness of those projects at helping the cause of develop-

Previous World Bank heads have restructured the organisation only to find within a year or two that clans bad reformed under their old leaders, albeit within new organisational boxes. One executive director claimed the full board was "imambiguously very support-ive" of the changes and the clear mandates given to the top managers, others were concerned at the concentration on top jobs - including the creation of a new senior vice president's post for chief economist

Michael Bruno. "People could say that is fine as far as the chiefs are constill too long. A task manager still has to go through five lay-ers to reach the top. There is a very strong feeling that we need more de layering."
The tough tone of Mr Wol-

fensohn's memorandum suggests he is far from oblivious to the scepticism, and will have little patience with slackers at any level. In case anyone missed the message first time round, he closed with the injunction: "I have made it clear that I expect the manage ment group to work with me at

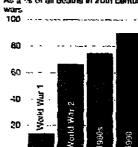
top pressure." Among those likely to have his work cut out is Mr Mark Malloch Brown, external affairs supremo, and the man responsible for maintaining relationships with and deflecting criticism from shareholder governments. He has been elevated from director to vicepresident in recognition of the importance Mr Wolfensohn

places on his role. As one observer remarked: "I

INTERNATIONAL NEWS DIGEST

Unicef sets out anti-war agenda

Civilian deaths



deaths in today's conflicts. compared with 70 per cent in the second world war and 14 per cent in the first world war. During the past decade 2m children have been killed. 4m-5m disabled, 12m left homeless, more than 1m orphaned or

The United Nations

Children's Fund yesterday set

reverse the increasing toil on

out an anti-war agenda to

children taken by armed

conflicts, 50 years after the

agency's creation to help

child victims of the second

world war. In its annual

report on The State of the

World's Children*, Unicef

says civilians account for

almost 90 per cent of all

wars in 25 countries," the UN agency adds.
Unicel's 10-point anti-war agenda includes a ban on anti-personnel landmines, the systematic reporting of war crimes against women and children, raising the conscription for children from 15 to 18 years, and "carefully monitoring" the impact of economic sanctions on children, a reference to Unicel's concern about Iraq. F. *Oxford University Press, \$10.95 (£5.95) Frances Williams, Geneva

Thousands of children under the age of 16 have fought in

separated from their parents and 10m traumatised.

Bank backing for capital reform

Central bank governors from the Group of Ten leading industrialised nations yesterday backed proposals from the Basle committee of banking regulators for new capital requirements to cushion banks from market risks.

Mr Hans Tietmeyer, president of the German Bundesbank

and chairman of the G-10 governors, said the proposals were important because, for the first time, they allowed banks to use their own in-house models for measuring market risk. rather than being forced into a single regulatory framework. While banks and financial industry associations have welcomed the Basle committee's acceptance of in-house models, they complained that its draft required them to set aside more capital than necessary. As a safety factor, banks would have to maintain capital at three times their average

Algerian newspapers start strike

George Graham, Banking Correspondent

value at risk, or the previous day's exposure if that was

Algerian newspapers begin a three day strike today to protest against government suspension of a leading daily and the arrest of top staff members. In special editions yesterday. editors of independent newspapers condemned the two-week suspension of French language daily Liberte and the arrest of its editor, Mr Hacene Ouandjli and its director-general, Mr Outoudert Abrouss on Sunday. After appearing in court yesterday, Mr Ouandili was released while Mr Abrouss was held in custody.

Editors in Algiers yesterday said the government took issue with factual information in a Liberté article last week on former general Mr Mohamed Betchine, a senior aide to President Liamine Zeronal. Roula Khalaf, London

cerned, but they might also Bank employees, unused to ask what is going to happen with the Indians," one official just hope that does not mean he gets to have a new director The bank's internal culture said. "Reporting channels are South African unions to fight state sell-off plans

By Roger Matthews in

South African trade unions yesterday spelled out their total opposition to the government's privatisation plans and forced ministers into establishing a new bilateral committee to review the state sector's

Mr Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), said after meeting three ministers that no society in the world had benefited from privatisation. "If the government wants to sell off the family silver, we say no, you cannot." he declared.

imposed in 1992 and widened a Cosatu had reacted with year later after Libya refused "shock and disbelief" last week when the cabinet said it to hand over two suspects of the 1988 bombing of a US airfavoured seeking minority liner over Lockerbie in Scotpartners for Telkom, the telecoms company and South Afriland, have led to a campaign of expulsion of foreign workers. | can Airways, and was pre-

pared to dispose of three other mpanies as part of a programme to reorganise state assets. The appointment of Mr Thabo Mbeki, deputy president, to head a cabinet committee on reorganising state enterprises, underlined the government's eagerness to

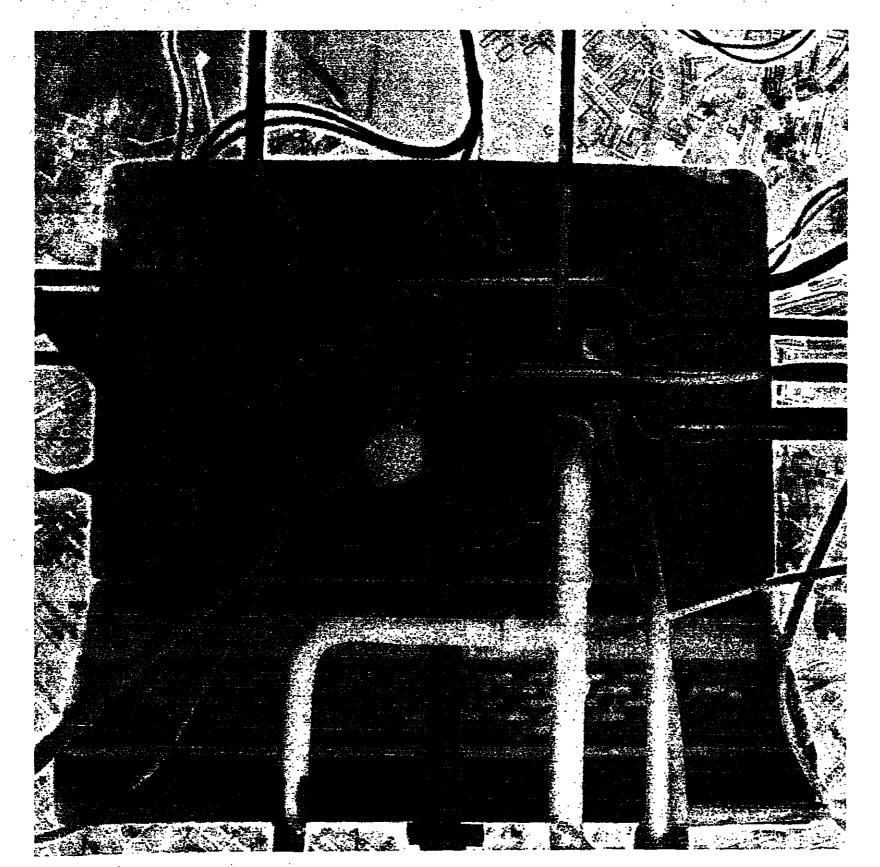
press ahead. Mrs Stella Sigcan, Mr Mac Maharaj, and Mr Pallo Jordan. ministers respectively for state enterprises, transport, and posts and telecoms, agreed at the meeting at Cosatu headquarters that no decisions would be taken until the new bilateral committee, with six members from each side, had negotiated a national framework accord.

They also agreed that reorganisation of state assets had to be undertaken in the context of a reconstruction and development programme aimed to bring basic services

to the most deprived parts of Mr Shilowa said the unions did not object to restructuring so long as its aim was to improve efficiency, stamp out corruption, and provide jobs.
"We accept the need for the restructuring of state assets. but not that it should be a euphemism for privatisation." Creating the bilateral committee adds another layer to an already extensive consulta tion process. Six sectoral task teams are preparing recommendations and outside advis-

ers will soon be appointed. The issue is being debated in the National Economic Development and Labour Council (Nedlac) on which government, business and unions are all represented. Mr Shilowa said there was no need for business to take part. "It is not involved. This is between the government and us."

para seeks to an aplant fe



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Information Technology

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Today. Fortis has a balance shifted total of some ECU 115 billion, and is some in the world's largest financial service groups:

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In 1990, the Dunit bank insurer

AMEV/VSB, and Belgium's largest insurance,
company AG, decided to join forces. The result

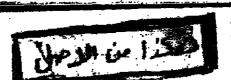
was Fortis. A unique, birategie combination of

lassinore than 100 com-

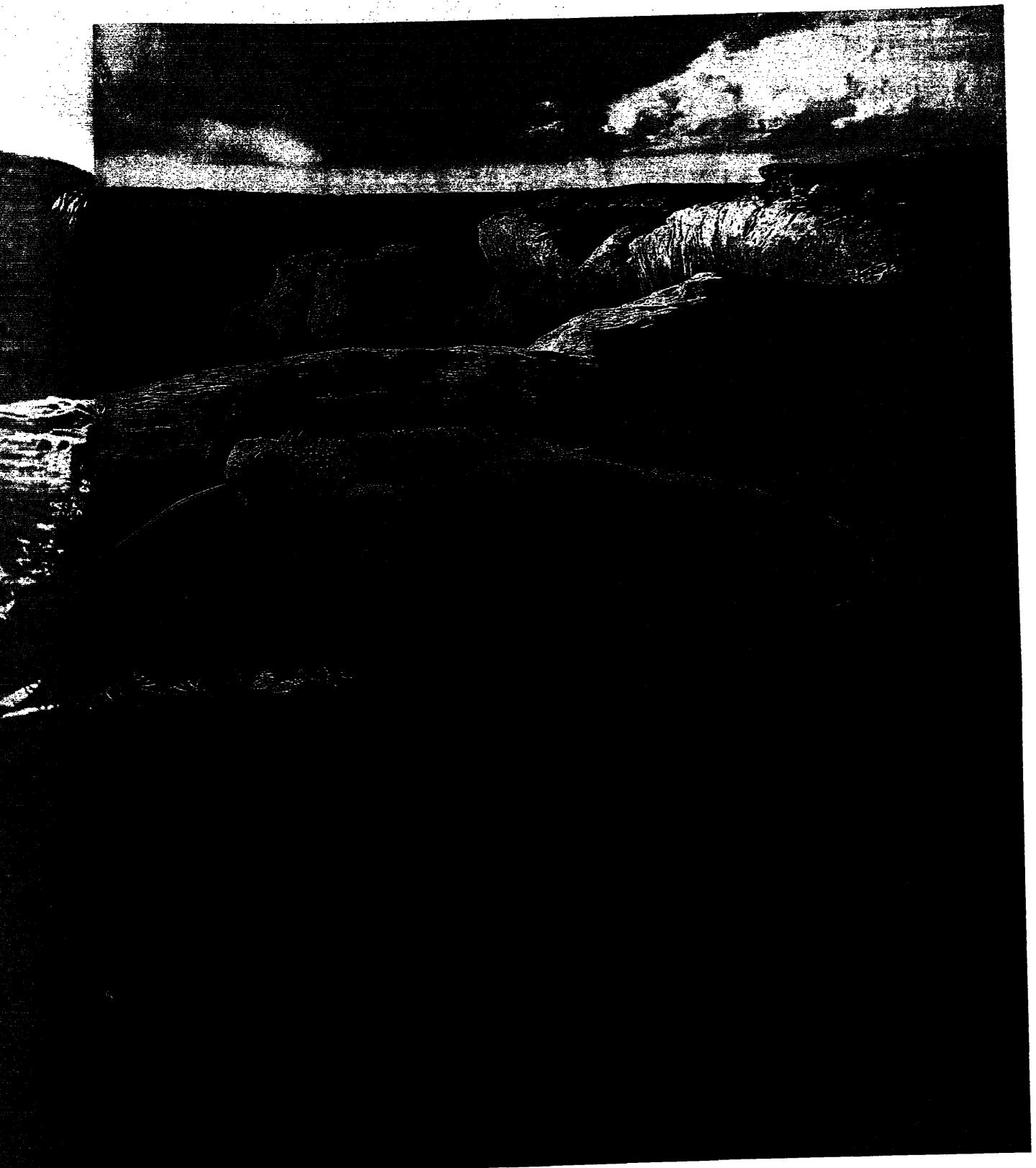
Positional property marks

For the least the present t

The param companies Form AG and Form AMEV are listed on the Bronnets and American exchanges respectively. Both are also hard in London and Listembourg, Form AMEV has a sponsored ADR program in the United States, Forth companies are among others: American AMEV form Manufacture, AMEV form Schaleberraphers, AMEV Ourself-being Manuchappi, AMEV-Andana, Barner Finance, Bearing, CDK Book, DEFAM France-companies, Paris Investment, Forth Indicated, Fort







by doing so, feeding enthusiasm for further development.

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FOTTISINSURANCE-BANKING-INVESTMENTS

Experiments of the Control of States and Sta

Chinese bank seeks funds for oilfield project

By Tony Walker in Beijing

China's first joint venture: investment bank is seeking some Yn6bn (\$750m) in foreign capital to fund the further development of a large oilfield in the country's north-east Jilin province.

This will be the first big mandate to raise funds abroad for China International Capital Corporation (CICC), a venture between Morgan Stanley of the US. China's Bank of Construction and smaller shareholders including the Singapore Investment Corporation (SIC).

Mr Cai Jinyong, deputy gen-eral manager of CICC, said the investment bank had been appointed "sole financial adviser" to the Jilin Oil and Gas Development in an agreement signed last week. Funds, he said, would be raised during the next five years to lift pro-duction in the Jilin field where reserves are estimated at 170m tonnes. Planned annual output would be 2m tonnes.

Mr Cai said CICC itself might take a small stake in the venture, but was also seeking the involvement of a large oil company as an "equity partner". trolled China insists that local institu- Finance.

holders in the development of the country's natural resources, but this would still leave room for a sizeable stake for a foreign partner.

China, which became a net importer of oil in the past year or so, is under pressure to lift production from existing under-exploited fields. The central government has

been providing the money to develop China's oil reserves, but given huge and growing demands on the central budget funding is constrained. Project required no government guar-antee and would not add to China's sovereign debt, the official Xinhua newsagency said. The authorities have stopped providing guarantees for the funding of virtually all infrastructure and development projects.

Morgan Stanley has a 35 per

cent stake in CICC, the Bank of Construction 42.5 per cent, and 7.5 per cent is spread between the SIC, the privately-owned Mingly Corp of Hong Kong and the China National Investment Guarantee Corp controiled by the Ministry of

S Korea to open up telecoms sector

By John Burton in Secul

South Korea yesterday said it would open its telecom service industry to foreign ownership in 1998, although stakes held by overseas investors would be limited to minority shareholdings of up to 33 per cent.

The Korean offer to open its telecom market was made to the World Trade Organisation, which is conducting telecom liberalisation talks in Geneva but it is unlikely the US and EU will accept the proposed opening as being satisfactory. Foreigners are now allowed

up to one-third ownership in cellular phone systems and other forms of wireless communications, but are barred from owning stakes in companies providing local and domestic long-distance calls and international telephone services among others.

Twelve telecom services will be opened to foreigners, including regular telephone services, packet-switched data transmission circuit-switched data communications, telex, teledigital cellular, paging, personal communication service, trunked radio system and wireless data transmission.

The number of telecom service providers is set to grow rapidly in South Korea because of industry deregulation. Foreign capital and technology is needed to help support construction of telecom infrastruc-

Foreigners will be permitted to invest up to 33 per cent in new joint venture companies beginning in 1998, but participation in existing telecom comrent foreign shareholding rules for listed companies, which

investors to 15 per cent. This ceiling is expected to be raised

to 20 or 25 per cent by 1998. Companies affected by existing foreign shareholding limits include Dacom, which presently provides international services and domestic long-distance calls from next year, and the two cellular phone operators, Korea Mobile Telecom and Shinsegi Telecom.

the market and strategic Foreigners will be limited to a 20 per cent stake in Korea Telecom, which dominates the country's telecom industry.

restrict holdings by overseas due to be listed on the Seoul stock exchange next year as part of a process to privatise the company by the end of the decade. The ministry of information and communications said foreign ownership in Korea Telecom will be curbed because of its leading role in

> importance to the nation's telecommunications industry. Foreign companies will also be allowed to borrow telecom circuits from domestic operators and loan them to third companies for services such as

data transmissions.

Manila acts on insurance pledge

Aetna Life Insurance, the US based insurance company, yesterday became the first foreign company in 30 years to be granted an operating licence by the Philippine government.

The award is the first move in the liberalisation of the domestic insurance industry and is set to be followed by the issue of several more licences soon. The Philippines pledged to open up its domestic market under a World Trade Organisation financial services package

this year.

Manila also opened up the domestic banking sector earlier this year issuing full permits to 10 foreign banks.

"The Philippines is developing one of the most open and competitive insurance markets in the Asia Pacific region." said Mr Frederick Copeland. president of Aetna. "We expect it to be a fiercely competitive environment over the next few

Around 60 per cent of the Philippine life insurance market is controlled by the four existing foreign licensees -AIG, Canada Sun Life, Jardine CMG and Manulife. Over 100 Philippine companies operate in the life and non-life market many of which are expected to be taken over by the new for-

Mr Eduardo Malinis, the Philippine insurance commissioner, is expected to issue full licences in the next few months to Pradential (UK), Cigna Corp, Mapre Re International and John Hancock Mutual Life. New licensees must declare paid up capital of 300m pesos (\$11.5m).

"We expect the market to double by the turn of the century," said Mr Copeland. "There is a growing new middie class backed by healthy economic growth but there is also scope for attracting those who have not yet taken out

insurance policies. About 11 per cent of the country's 68m people are covered by some form of life insurance, including those on employee benefit schemes.

urges Asean telecoms liberalisation

The European Union yesterday urged member countries of the Association of Southeast Asian Nations to speed up telecom-munications liberalisation and enlisted their support for negotiations on overseas invest-

ment guarantees. "We are due to complete negotiations on telecommunications liberalisation in April...and to my knowledge only Singapore has even com-pleted the questionnaire," said Sir Leon Brittan, vice-president of the European Commission. "If we don't get enough participation, the agreement won't have either the width or

breadth necessary to be effective," he said.

On the subject of investment guarantees, Sir Leon urged Asean which groups Brunei, Indonesia, Malaysia, the Philip-pines, Singapore, Thailand and Vietnam, to take it up as an issue before next year's WTO ministerial meeting in Singa-

These talks would not only focus on investment protection but investment facilitation, such as a common set of criteria for setting up a business or making an investment. Unclear rules and cumbersome regulations are frequently cited by companies as barriers to investment in Asia.

non-committal on the two

The ministers also discussed with Sir Leon the agenda for the EU-Asian summit scheduled for March 1-2 in Bangkok. The agenda will deal with both political and economic issues with the EU stressing measures to facilitate investment and setting up some specific procedures for follow-up. The EU would also like to see the creation of a parallel private

sector EU-Asian grouping. In a separate meeting. Asean economic ministers agreed to move forward with plans for an agreement on liberalising trade in services and protecting intellectual property

State-run Korea Telecom is

The ministers agreed that negotiations to free up trade in tourism, financial services, telecommunications, construction and transport should begin immediately with an agreement in three years. On intellectual property,

Asean will study setting up a common patent system and the establishment of a regional trademark registration office, with the intention of protecting Asean inventions and trademarks within the region rather than providing added protection for outsiders. Any agreement would be a comple-ment to member countries'

commitments to protect intellectual property rights by the year 2000 under the WTO's Trade Related Aspects of Intellectual Property Rights agree-

> The ministers also ratified the creation of a new protection category within the Asean Free Trade Area in an effort to satisfy Indonesian requests to protect 15 agricultural products, including rice and sugar. which it had originally agreed

to liberalise. The new category provides protection until 2010 for those agricultural products whose trade is carried out by State Trading Enterprises which have been notified to the WTO.

US Export-Import bank pressed on China dam finance

The US Export-Import Bank is under pressure from the US Congress and business lobbyists to offer export financing to US companies seeking contracts on China's controversial \$24bn Three Gorges Dam proj-

A National Security Council interagency committee con-cluded earlier this year that US government financing should not be made available to a project which "raises environmental and human rights concerns on the scale of Three Gorges". This decision was communi-cated to the bank by Mr Samuel Berger, the NSC deputy.

This put Eximbank on the spot. It is an independent agency, but it works closely with other government entities to carry out administration policy. In a memo to Mr Kenneth Brody. Eximbank's outgoing chairman, Mr Berger warned that environmental groups were likely to go to court in their efforts to halt the

The environmental group Defenders of Wildlife says the proposed dam on the Yangtze River would destroy the habitat of a number of threatened species, including the endangered Chinese river dolphin. Mr Berger also raised con-

cerns about the "financial

Here is some noteworthy

information... [

Construction

Machinery

Do You Know: Who Are We?

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progress in a considerably short period of ome.

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built the Hanwha Group into one of the ten

leading conglomerates in Korea. And the

Hanwha Corp. is coming to Europe.

People working night and day.

strength of the project.

The dam, intended primarily for flood control but also for power, will require the resettlement of over 1.1m

concerned the World Bank, which has not refused to finance the project, but has signalled to China that it did not want to be asked either.

Beijing has said it will fund the project out of its own treasury, if necessary.

The NSC memo came in response to a request for White House input from Mr Brody who has promised to make an independent judgment on the project 'based on the tests of financial, technical and envi-ronmental soundness".

Electronics

Communications

Mr Donald Fites, Caterpillar's chairman, has requested an Eximbank Letter of Interest, indicating preliminary support, to finance equipment

He said Caterpillar has had "only limited success" in selling new equipment to the various dam contractors and that funding is without question the key constraint for Caterpillar and other US companies trying to participate."

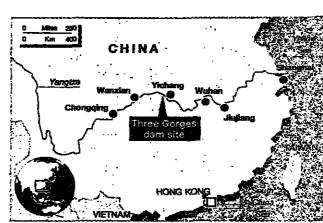
Caterpillar contends that it could gain \$200m in contracts and a few hundred million more for other projects in cen-

After the company obtained a copy of the NSC memo, the company enlisted the help of the business community to present its case to the White

The Illinois Congressional delegation, led by Democratic senators Paul Simon and Carol Mosely Braun, has asked Mr Anthony Lake, the national security adviser, to review the decision and hopes to meet him this week. Caterpillar is based in Illin-

ois and a number of other companies in the state hope to provide equipment for the dam. Congressmen Doug Bereuter

and Toby Roth, the chairman of two key subcommittees, have written to Mr Brody express concern that the Administration is attempting "to compromise also written with the underly-



the independence of the bank". Several business groups have

companies participate. WORLD TRADE NEWS DIGEST

being built whether or not US

supply in Taiwan.

Tokyo defends PHANWHA foreign goods

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knocking on Europe's door. Whether you're an

The Japanese government

The first white paper to be

The Japanese government's recent record in foreign procurement compares favourably with that of other industrialised countries, the white paper said. Although the latest comparisons were dated 1990, Japan's level of foreign pro-curement at over 14 per cent of overall procurement is higher than in the US, where foreign goods accounted for 11.9 per cent of government procurement and the European Union where the figure was only 2

the Japanese government's

claim that contrary to foreign criticism of its procurement, the government has made significant efforts to make its procurement procedures easier to understand and to buy more products from outside

Japan's trading partners have complained that the Japanese government's procurement practices lacked transparency, making it extremely difficult for foreign companies to win government contracts.

The American Chamber of Commerce in Japan, for example, said that in early 1994 a large number of government tenders for complex heavy equipment allowed only seven to 15 days for delivery after the bid opening. "It would be virtually impossible for an off-shore, non-Japanese manufacturer, to deliver the goods within the required time unless it was advised in advance that its bid would be selected," the ACCJ

Despite its criticism, or because of it, the US, which has been one of the most vocal in its complaints of Japan's public procurement record, came out at the top among countries which supply the Japanese government. In 1994, just over 54 per cent

of foreign goods procured by the Japanese government origi-nated in the US against 23.5 The paper's findings support per cent from the EC, which he Japanese government's came second.

OECD Export Credit Rates The Organ announced new minimum interest rates (%) for officially sup-ported export credits for December 15 1995 to January 14 1996 Blovember 15 1995 to December 14 1995 in brackets).

Guilder (8.40) (7.00) (7.85) (11.01) (2.80) (11.54) (8.61) (5.22) up to 5 years 5 to 8.5 years more than 8.5 years Italian iira US dollar for credit 6.67

Three raiss are published monthly by the Financial Times, normally in the middle of the m promism of 0.2 per cont is to be accord to the credit rates when fixing at but, littered rates, may not be foreign from the main 120 days, SOR-passed rates of interest are the carrier for all cummones for the period from 15th July to 31st August 1995, the SOR-based rate will be 6.60 per cont. The SOR rate was althoughed on the 31st August 1995.

record in buying

By Michiyo Nakamoto in Tokyo

yesterday defended its record in government procurement of foreign products with a white paper which highlights that among industrialised countries Japan has one of the highest ratios of public procurement

published on the Japanese government's procurement of for-eign products states that of the Y731.8bn (\$7.2bn) of goods procured by the Japanese government last year, 18 per cent was of foreign origin. Although this was a decline from the 20 per cent of government procurement accounted for by foreign goods in 1993, it showed a steady increase from 1990. when the proportion was 14.2 per cent.

Japan carmakers in Taiwan deal

Mitsubishi Motors, the Japanese vehicle maker, will supply Nissan with trucks for sale in Taiwan under the Nissan brand Under the deal, which highlights the increasing interdependence of Japanese carmakers as they expand in Asia's growing vehicle markets. Mitsubishi will manufacture a small truck for Nissan at its plant in Taiwan. The company will provide Nissan with 200 to 300 trucks a month from next spring. The two companies are also considering mutual parts

Nissan, Japan's second largest vehicle manufacturer, will halt production of the trucks at a Taiwanese joint venture facility. The company is looking to expand production in Taiwan, where Nissan sold 62.553 vehicles last year against total demand of 560,890 units. Nissan already produces some of its main volume models in Taiwan through its joint venture. However, the company is focusing on the passenger car market in Taiwan ahead of an expected lifting by the Taiwanese government of its ban on imports of manufactured vehicles. In addition to the mass-market cars it already makes in Taiwan, Nissan is considering production of a luxury car

Michiyo Nakamoto, Tokyo Nissan Diesei Motor will start exporting small trucks produced at its South Africa unit to other African nations. The timetable has not been set but we plan to start with Kenya and Tanzania," a company official said. Initial exports will be less than a 100 units annually. Nissan Diesel plans to produce about 1,000 units of trucks at the unit in the year to

Australian wheat for China

Australia will supply China with 3m tonnes of wheat between Australia will supply china with our collection wheat between 1996 and 1998. The deal, signed between the Australian Wheat. Board and Ceroilfood, the Chinese group, marks the first long-term supply agreement since the early 1980s, according to

"It is a sign that the Chinese believe, as I do, that we will seen a return to more normal market conditions where US and European export subsidies are likely to be used with more restraint in the next couple of years," commented Mr Trevor Plugge. AWB chairman.
The AWB said that the largest annual shipment of

Australian wheat to China was 3.7m tonnes in 1986/7 although in the 1960s and 1970s, slightly smaller amounts — around 2m tonnes — were supplied to China on a regular annual basis. This agreement hopefully signals a return to that sort of business," said Mr Flugge.

Australia's wheat farmers faced drought conditions on the eastern seaboard a year ago but are expected to harvest around 17.1m tonnes in the current year, a 92 per cent rise on 1994/5, with production in Western Australia headed for a record 7.5m tonnes. Rumours that Russia has been buying grain abroad have fuelled a price rally, and US wheat futures have been trading at 20-year highs.

10 - WORK

^{*}ಕ್ಕಾರ್ನ್ನಿವು

ir gerker

Mariana,

A P Moller, the shipping and oil and gas group, has placed an order for three giant container vessels for the group's Maersk Line with the Odense Steel Shipyard in Denmark. The vessels are of the C-5500 type with capacity to carry over 5.500 standard 20-foot containers. Moller had earlier placed orders for nine of the vessels with the Odense yard. The latest order will be accompanied by an order for 20,000 containers from the group's container manufacturing subsidiary in Denmark, Maersk Container Industri Hilary Barnes, Copenhagen

Phillips Electronics has signed a seven-year partnership agreement with Australia's federal government. The A\$700m (US\$516m) programme will concentrate on telecommunications, broadband transmission systems, rural microwave systems, engineering, electronic components and industrial design.

Nikki Tait. Sydney

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but also in Asia, North and South America.

Korean economy in the past 40 years. Besides

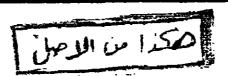
explosives, machinery, and construction, the

Hanwha Corp., also operates activities in

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FINANCIAL TIMES TUESDAY DECEMBER 12 1995 ★

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Island creates haven against liability risk

Accountancy Correspondent

Lawyers, architects, surveyors, merchant bankers and doctors in partnerships will be able to take advantage of a new law designed to protect the personal assets of accountants

from litigation.

The States of Jersey, the governing assembly of the island off the coast of France, yesterday announced that it wanted to introduce the law after talks with both Price Waterhouse and Ernst & Young, the

accountancy firms. But it became clear that the new law could benefit many large firms in other professions suffering the side-effects of unlimited liability. Jersey proposes to allow firms to set up as limited liability partnerships (LLPs). Jersey, like other Channel Islands between England and France, is an

Resources Editor

Britain.

Few mourners stepped forward

to bewail British Energy's deci-

sion yesterday not to build

more nuclear power stations. It

cancelled plans to build new

stations at Hinckley Point in

western England and Sizewell

in the east. The announcement

was widely hailed as the death

knell for nuclear power in

After a board meeting which

one insider described as "very

fraught", British Energy has in

effect called a halt to a technol-

ogy in which Britain once led

the world, and which was suo-

posed to provide the answer to

all the nation's energy needs.

Instead, nuclear power has

become deeply unpopular.

Even more fatally for its imme-

diate growth prospects. It has

also become uneconomic even

though it accounts for a third

of all electricity generated in

Yesterday's news was the

culmination of deep-rooted

changes in the UK energy

scene going back to the early

side the UK but under the jurisdiction of the British mon-

archy. It makes its own laws. Senator Pierre Horsfall, the president of the finance and economics committee of the States of Jersey, said he hoped the new law would be "utilised by other large multi-partner professional firms".

Mr John Syvret, director of the island's financial services department, said Jersey was now a significant international finance centre "and we felt it was appropriate to respond to a major deficiency in this part of the world for financial institutions of stature"

It is unclear how institutions "stature" are to be recognised. However the Jersey government said yesterday that firms registering under the new law would need to make "a £5m financial provision". This is seen by big firms as a form of bond. It was estimated

Delight greets death knell

Wholesale electricity prices

have rebounded almost to last

week's record levels and are

expected to stay high for the

next few days, David Wighton

The price in the Electricity Pool between 17h00 and 17h30

today will be £902 (\$1,380) per

MWh compared with last

week's peak of £1.108. The rise

has been caused by the cold

weather and the temporary

shutdown of some of Nuclear

The widespread strikes in

France, which have disrupted

supplies from Electricité de

France, have also had a minor

impact. EdF bid into the UK

exposed the parlous state of

the coal industry three years

ago, so, too, has the prospect of

next year's privatisation forced

nuclear to acknowledge its

Over the past three years the

privatised generators, National

Power and PowerGen. have

pared back their costs. At the

same time, the arrival of cheap

competitive weaknesses.

pool during the weekend.

Electric's capacity.

of nuclear expansion



Price Waterhouse senior partner (an Brindle (left) with managing partner John Barnsley yesterday

bond would restrict the new limited liability status to the top 20 accounting firms. Price Waterhouse and Ernst

& Young both indicated that such a new law would give them what appeared to be an ideal option for limiting liability. The combination of damages and providing insurance against claims amounts to 8 per cent of annual turnover for the Big Six British accoun-

Although Nuclear Electric and

Scottish Nuclear, the two state-owned companies which are

being combined into British

Energy, have also attacked

their costs, they have not been

able to match the privatised

fossil fuel generators.

They have been burdened with the construction costs of

nuclear stations. A typical

N-plant costs five to ten times

as much to build as a modern

gas-fired plant. They also have

to bear heavy costs for dispos-

ing of spent fuel and decom-

missioning their plant after

According to advice from

BZW, the government's mer-

chant bankers for privatisa-tion, electricity would have to

be priced at 2.7 pence (4.1c) per

unit to make new nuclear

plant viable. For most of this

vear, the price has been closer

to 2 pence with little prospect of an increase because of plen-

Yesterday's announcement

raises an important question. If

nuclear power is uneconomic,

how can it possibly be priva-

tised? The answer is that much

tiful gas supplies.

shut-down.

the firms would be able to preserve the confidentiality of their accounts. KPMG, one of the Big Six, has decided to limit liability through incorporation. It will publish full financial results for the new company.

Reacting to price pressures

Mr Ian Brindle, the senior partner at Price Waterhouse. said the LLP simply protected partners personal assets; auditors could still find themselves paying out

3.0 Pool purchase prior

will have to be written off by

the government. A further

question concerns the growth

prospects for British Energy if,

as it now admits, it will be

incapable of financing the con-

struction of new nuclear power

The answer is that its

growth will have to lie outside

nuclear power. The new name

was deliberately chosen to

damages in proportion to their negligence. "But at least now when partners go home at night they can look at the house and know it will still be there in the morning."

Mr John Barnsley, managing partner at Price Waterhouse said removing partners' would have a big psychological effect. "It certainly helps in the poker play - its all about bluff and double bluff."

farmers in this country," said Mr Ian Houghton, a lawyer for the society. "If we could get a Europe-wide ban on veal crates, then the trade in calves would be able to continue. Ultimately we'd prefer all live exports to cease, but that's a separate issue."

Exports of

By Alison Maitland in London

organisations, is seeking to that a unilateral UK ban on calf exports would breach the

European Union law.

provoked widespread protests,

Animal welfare campaigners want Britain to ban the trade. They say the calves are reared in production systems consisting of narrow pens, or crates, which restrict movement. The animals are fed on a liquid milk diet low in iron and roughage to ensure that they emerge with the pale flesh appreciated by cons France and Italy.

The animal welfare organisations were granted leave in July to apply for a court review of government policy. Britain outlawed veal crate production in 1990 and has been working to persuade other EU member states to phase out the system. About 500,000 calves are exported

"We're not trying to harm

animals challenge

The Ministry of Agriculture. already besieged over its han-dling of "mad cow disease," today faces a legal challenge from animal welfare groups to the export of veal calves to

overturn government policy Treaty of Rome.

World Farming and the Inter-national Fund for Animal Welfare will ask the High Court in London to refer the case to the European Court of Justice because the case turns on

from the UK each year for rearing mainly in France and the Netherlands.

face court

The Royal Society for the Prevention of Cruelty to Animals, together with two other leading animal welfare

The society, Compassion in

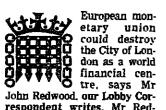
The calf export trade has with demonstrations at ports and airports to try to halt

The ministry argues that a unilateral export ban would break EU law on free trade. But the society says Article 36 of the treaty allows export bans where the health of animals suffers or where national public morality is offended.

The European Commission

pro-competition policies power generation costs. by the nuclear power industry imply a broader sphere of plies start to run out, Emu threatens City, says Tory rebel

gas has helped drive down of the heavy debt accumulated.



respondent writes. Mr Redwood is the former cabinet minister who in the summer unsuccessfully challenged Mr John Major for leadership of

higher

union".

the Conservative party. He will argue in a pamphlet published by his Conservative 2000 Foundation that the City would be subjected to a "new type of banking regulation from Frankfurt" which could drive out non-UK banks. More immediately worrying for British business would be

the economic consequences of the policies enforced on it by independent and democratically unrepresentative European central bank. The cost of tough counter-inflationary policies across Europe could be interest rate rises. Reminding business

Britain is to throw open more of its European regional aid budget to competitive bids next year, Mr Tim Eggar, industry minister announced yesterday, George Parker writes at Westminster, Mr Eggar expects to place at least £160m (\$245m) in the pot for next year's round of "regional challenge", in which public/private sector partnerships compete for EU aid.

"It is no secret that if we had our way we would have gone for a much bigger challenge," Mr Eggar said at a press conference to

leaders of the impact of British Greece. Emu would increase membership of the European the amount the UK pays to Exchange Rate Mechanism, he Europe and the percentage of warned that the UK would face it which is spent outside the

higher interest rates and unemployment "It is by no means clear that because of the higher past European sentiment has built and present borrowing levels up to the point in the UK of other members of the where people would want to pay higher taxes in order to Mr Redwood will also argue cross-subsidise what are at the that British taxes will rise as moment other countries," he the nation subsidises the

poorer countries of Europe. In a speech in London at the Just as London subsidises launch of the pamphlet Mr Merseyside in north-west Redwood will point out that England, so the UK would pay more tax for Portugal and bringing in a new currency for the 350m citizens of Europe

that 34 winning bids in England would share a total of £140m this year; a further £20m will be awarded to projects in Wales next mouth. The Department of Trade and Industry "topsliced" around 10 per cent of Britain's total EU

aid budget for the competition this year, and is negotiating with the European Commission to increase that level in 1996. The commission was originally sceptical about the UK's proposal to make regional aid the subject of a competition, but Brussels is said to have been impressed at announce this year's winners. He confirmed the way it triggered innovative bids.

will cost Britain alone around £1bn. Minting and distributing new coins as well as changing all vending and cash handling machines will cost British business millions, and as 80 per cent of them serve an entirely domestic market. "it would be all cost and no benefit for them".

He also questions the impact of locking currencies in the immediate lead-up to monetary union. Mr Redwood says that speculators would be able to take on the central banks. making the unsustainable.

French network to bid for rail company

By Charles Batchelor Transport Correspondent

interest. British Energy may go into gas-fired power genera-

tion, or buy one of the regional

Nuclear power has also pinned its hopes on two

long-term developments: revul-

sion against the accumulation

of carbon dioxide in the atmo-

sphere from the burning of fos-

sil fuels and the start of the

time in which oil and gas

electricity companies.

SNCF, the French state-owned railway company, could acquire a stake in Britain's privatised rail freight network, it emerged yesterday.

The French railway group, which has been hit badly by strikes in protest at the government's economic reforms, has joined a consortium with a team of UK freight managers to bid for British Rail's heavy freight network.

The involvement of SNCF in a privatised BR network would be politically sensitive, rail industry commentators said yesterday, and could prompt accusations of unfair competition from the private sector because a state-owned company could have its losses subsidised. But SNCF said it could not "remain indifferent" to developments in Britain. "We have an important commitChannel tunnel." it added.

The third member of the con sortium is Associated British Ports, the UK port operator, which confirmed yesterday it would take a 20 per cent stake. The consortium will be led by Candover, the development

capital group.

ABP and SNCF have joined the management of Mainline, one of the three regional freight groups created out of TRP. BR's heavy haul freight business, Trainload. Mainline declined to comment yester-

Mainline, like the two other companies, Loadhaul and Transrail, put in a final bid for the entire Trainload freight business on Friday. The UK government is

understood to have encouraged all three companies to bid for the entire freight operation. Customers of rail freight fear this could stifle competition.

UK NEWS DIGEST

Cost pressures on industry ease

Cost pressures eased in many sectors of industry last month, according to official figures published yesterday. The trend could bring relief to many companies after the sharp rises in raw material costs over the past year. The Central Statistical Office said the overall cost of raw materials and fuels purchased by industry rose 6.2 per cent in the year to November. This was the slowest annual increase for over a year, and half the rate seen in January at the peak of the world commodity price surge. Seasonally adjusted, the data showed input prices fell 0.1 per cent between October and November.

More strikingly, lower input prices also appear to be feeding through the business chain. The cost of goods produced by manufacturing rose 4.3 per cent in the year to November, the slowest increase since the summer. Measured without the volatile elements of food, drink and tobacco, the data showed an annual price rise of 4.6 per cent, down from the previous month's rate of 4.7 per cent. Economists remain split about whether this easing of prices at the start of the business chain will have much immediate impact on retail high street inflation, currently running at 2.9 per cent. Some fear that many retailers and manufacturers will be keen to raise prices if consumer spending picks up in the months ahead, following the squeeze in margins that occurred over the last year.

Gillian Tett, Economics Staff

Airport charges scrutinised

Increases in charges at London's three airports have been referred to the Monopolies and Mergerts Commission by the Civil Aviation Authority. The airports, owned by BAA, are Heathrow, Gatwick and Stansted. The referral is an automatic requirement under the 1986 Airports Act and this is the second time the commission has been asked to look at the airports' charges. It will examine the cost of landing and parking aircraft and passenger related charges over the five years from

The commission will examine the effect of the loss of duty and tax free free revenues from travel from Britain to other European Union countries, which is to be abolished in 1999. It will also look at the airports' capital spending plans, including the proposed fifth terminal at Heathrow, and the valuation of their assets. The commission will also report on whether any of the airports have acted against the public interest since they were last referred in December 1990. It has been asked to report within six months.

Geoff Dyer, Financial Services Staff

Equitas plan wins support

Lloyd's of London will today receive the back-LIOYD'S ing of one of its traditional critics for plans to spin off billions of pounds of liabilities remaining on old policies into a separate reinsurance company, Equits. The verdict of Chatset, the Lloyd's analyst, will provide an unexpected fillip to Lloyd's recovery programme, which was launched in May this year and – subject to approval by Names – is due to be implemented next surger. Chatset has in the past been among the gloomiest but most accurate commentators on Lloyd's misfortunes.

Equitas is a crucial part of Lloyd's recovery plan because it should finally "cap" the liabilities of Names, including taking over big US asbestos-related and pollution claims. This should allow Names, the individuals whose assets have traditionally supported the market, to leave Lloyd's. In today's report, Chatset warns Names that "the alternative to Equitas is grim". It estimates that Lloyd's theoretically needs to find an extra £10.8bn to bring reserves into line with possible liabilities but accepts that Equitas could dramatically cut that total. Chatset concludes: "We believe there is no better alternative to Equitas but more money needs to be put on the table by those who can afford it.'

. Raiph Atkins, Insurance Correspondent

Market spurs flexible work

Portugal France

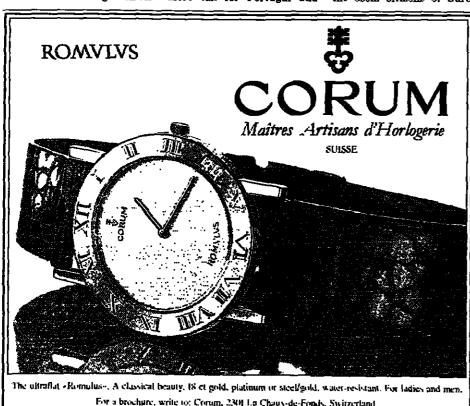
half such British women (more than 5.5m) were either self-employed, held part-time or temporary jobs, or worked from home last year, says the Equal Opportunities Commission. But although the UK's flexible labour market encourages such "non-standard" employment, a number of other countries with more regulated employment systems have a larger proportion of workers in such jobs, says the

MARKET

commission. In 1992 nearly a third of workers in the Netherlands were in part-time employment, with 26.9 per cent in Norway, and 23.5 per cent in both the UK and Sweden. By comparison, 10.2 per cent of French workers and 9.5 per cent of Germans were working part-time, Only 5.3 per cent of workers employed in the UK in 1991 were in temporary jobs, one of the lowest proportions of the labour force in industrialised coun-Robert Taylor, Employment Editor

Premiers to meet on Ireland

Mr John Major and Mr John Bruton, the British and Irish prime ministers, are likely to meet in Dublin on December 21 to co-ordinate the latest stage in the Northern Irish peace process. Officials said Mr Major's "working visit" would probably be confirmed after the two leaders had consulted in Madrid on Friday or Saturday, when they will be attending the European Union heads of government summit. Both are understood to be anxious to give renewed impetus to the search for a political settlement, and to present a united front, following the IRA's rejection last week of any discussion of "decommis-sioning" of its weapons. The international body looking at the arms issue will hold its first full sessions next weekend in John Kampfner, Westminster



Rise of 12.8% in car sales fails to dispel industry gloom

Motor industry Correspondent

Registrations of new cars in Britain rose strongly in November for the second successive month, but the increase did little to dispel the gloom in much of the motor

Sales climbed by 12.8 per cent to 143,055 units last period a year before. month, compared with November 1994, the Society of Motor Manufacturers and Traders reported. The increase, which followed a rise of 11.5 per cent in October on the same month the previous year, has surprised the industry.

Mr Ernie Thompson, chief executive of the society, said last month's improvement appeared "encouraging" at first glance. But he added that the higher registrations wagen, with the main VW largely result from aggressive brand and Audi selling very

marketing initiatives by indi-vidual manufacturers to stimu-manufacturers were hit by the late demand, rather than a sudden return of the feelgood factor following the Budget".
The two consecutive months

of higher sales mean registrations in the first 11 months of this year, at 1.873,826, are now almost 2 per cent above the 1,837,696 cars sold in the same Although imports took a

marginally lower 53.8 per cent share of the market last month, compared with 55.2 per cent in November 1994, the overall proportion of imported vehicles in the first 11 months of this year grew to 59.2 per cent compared with 57.2 per cent between January and November 1994.

The latest statistics show a

strong performance by Volks-

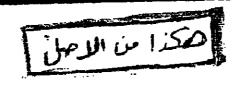
impending introduction of new cars, which curbed demand for their predecessor models. Sales at Vauxhali, the UK offshoot of General Motors,

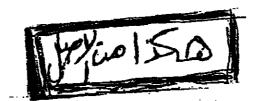
dipped in response to the runoff of the Cavalier, which is being replaced by the Vectra. Although Peugeot sales recovered in November, the company has been affected by falling demand for the 405, which will soon make way for the 406 in the UK. Rover, which has suffered

from a sharp fall in sales this year, reversed its performance in November with a 35 per cent jump in registrations. The company's new 400 hatchback leaped into the top 10 charts, coming in third in November behind Ford's Fiesta and Escort. Rover is a subsidiary of

VW and Audi		Nov 1995	.,	
OF NEW CARS	Volume	Changes	Share%	Nov '94 Shara%
Fotni market	143,055	12.8		-
UK produced	66,104	13.0	100	
Imports	76,961	0.01	46.2	
Japenese mekes	7,122	0.8	. 53:8 5.0	
Ford group	31,354	11.0-		
- Ford	30,779	11.2		22.3
- Jaguar	575	4.0	21.S 0.4	
General Motors	23,001	0.1	16.1	0.4
- Vauxhall	22,170	-1.7	15.5	
- Saab	831 .	95.1	0.6	17.8
BMW group	27,114	34.3	19.0	
- BMW	3,259	31.0	2.3	
- Rover".	23,855	34.7	16.7	20
Peugeot group	14,597	7.3	10.2	741 10.7
- Peugeot	9.051	7.3	6.3	
- Citroen	5,546	7.2	3.9	,
Volkswagen group	9,936	30.6	6.9	
Volkswagen	6,422	31.7	4.5	
Audi	2.215	73.7	1.6	
- SEAT	652	-20.9	0.5	
- Skodat	651	2.7	. 0.5	
Renault	7,275	-5.8	5.1	,
Masan	5,918	-13.2	4.1	6.1
Cycta .	3,593	3.7		
Plat group	4,741	20.5	. 4.0	
- Flat	4,524	_ 21.6	3.3	
- Alfa Romeo	217	1.9	3.2	
/civo	2,457	6.0	. 5.2	
Vercedes-Benz	2.482	28.8	· 1.7	
ionda	3,456	26.6 23.3	1.7	
Coreen makes	2.485	151.3	2.4 1.6	







A Straint

TECHNOLOGY

putnik, the first man-made satellite launched in 1957, weighed just 84kg, but as man's ambitions in space have grown, so too have the size and cost of the hardware. The Soho solar observation satellite, which hifted off from Cape Canaveral just over a week ago weighs 1.85 tonnes, cost \$1bn (£) and took five years to

But budget cuts mean juggernauts such as Soho are becoming increasingly difficult for space agen-cies to fund, and there is a trend towards smaller, cheaper satellites that are quick to build, cheap to launch and, hopefully, less likely to go wrong.

As Sputnik shows, "microsatel-lites" (10kg to 100kg) are not new. They carry military payloads and scientific experiments into low earth orbit (LEO), and today a lot more sophistication can be squeezed into these tiny payloads.
"Most satellite manufacturers

have not taken advantage of the size reductions made possible by microelectronics in the last five

years.
"We can now put an entire supercomputer in a Sputnik-sized pay-load," says Jeff Ward, technical director of Surrey Satellite Technology (SSTL), a UK company owned by the University of Surrey. SSTL builds microsatellites for

companies such as the Anglo-French Matra Marconi Space and small nations that want low-cost access to space. Thailand is the latest customer. For £3m, SSTL will build a 50kg microsatellite, a ground station in Bangkok and train Thai engineers. The satellite will be launched in 18 months and used for earth imaging.

To reduce launch costs, SSTL "piggybacks" its microsatellites on the payloads of big rockets. Last August a Cyclone launcher carried an SSTL-built Chilean ozone-monitoring microsatellite joined to a 1.5tonne Ukrainian satellite. However, what would have been Chile's first satellite failed to separate from its Ukrainian host and is inoperable. Other piggyback rides aboard the European Space Agency's Ariane 4 rocket have successfully launched SSTL microsatellites for South Korea, Pakistan and Portugal.

The method has drawbacks - the microsatellite is restricted to the same orbit and launch date as the main satellite, but a dedicated launch would cost 10 times the £500,000 needed for a piggyback launch, says Ward.

SSTL is now expanding into the market for larger minisatellites (more than 100kg) which can sup-port multiple payloads and a wider range of applications.

SSTL's new 300kg UoSAT 12 minisatellite will get a dedicated launch at the end of 1996 aboard a Russian Rokot launcher built from redunMini and microsatellites are quicker to build and cheaper to launch,

writes Geoff Nairn

Weight loss in orbit



dant Soviet missiles. The minisatellite, for an unnamed customer. costs £5m and the launch a further

Minisatellites will get a boost from the LEO satellite communications networks planned for the next five years by US companies such as Motorola and Loral.

The most ambitious is Teledesic, backed by Microsoft founder Bill Gates and cellular pioneer Craig McCaw. It will spend \$9bn on 840 satellites to provide broadband services to fixed sites. The 750kg satel-

lites will circle the globe at a height

planned for 2000. Russell Daggatt, Teledesic's president, says the company plans to cut costs using mass-production tech-niques and software instead of hardware to realise many functions. Unlike conventional satellites, Teledesics will not need to be very reliable: if a satellite fails, data is

of 700km with the first launches

routed through its neighbours.
This "distributed" approach allows Teledesic to use cheap, off-the-shelf components. although

expensive gallium arsenide chips will be needed for high-speed switching functions. Teledesic will next year announce the contractors selected to build and launch the satellites. Until then, analysts cannot judge whether the project will really fly.

really fly.

Nasa, short of funds and stung by embarrassing flops with its big satellites, has become a late convert to small satellites. In 1994, it started its Small Satellite Technology Initiative (SSTI) to develop and launch

A key element is miniaturisation technology borrowed from the bal-listic missile industry. Clark, the first SSTI satellite, will be launched next June aboard the Lockheed Launch Vehicle (LLV), a small rocket developed by Lockheed Mar-

tin, of the US.
Nasa's New Millenium project aims to launch at least 10 small satellites a year from 2000. They will employ emerging technologies, such as micromechanical devices, to cut weight and costs. On the distant horizon are "picosatellites" the size of an ice-hockey puck.

Minisatellites appeal particularly to nations with limited space bud-gets. Indonesia and Israel plan to use them to improve domestic telecommunications. Spain will launch its 500kg Minisat 1 in six months to lift three scientific experiments into a 600km orbit. The satellite will be carried by the innovative aircraft-launched Pegasus rocket developed by Orbital Sciences of the US.

The French agency CNES wants to build a 450kg minisatellite to replace the 2.5-tonne Topex-Poseidon oceanographic satellite due to retire in 1999. The original satellite, launched in 1992, was developed with Nasa, but the cash-strapped US agency may not participate this time. CNES thus needs to cut the cost of the follow-on missions to less than a third of the FFr3bn (£) spent originally.

"The mission is important but it would have been very difficult to get funding for another large satellite," says Philippe Escudier, project

The new satellite, Topex-Poseidon Follow-On (TPFO), will use microelectronics to reduce weight and commercial components which, CNES has found, can be more reliable than more expensive components designed for space use. TPFO will use a standard platform that can be reconfigured for future missions, giving a base cost of just PFr100m plus the cost of missionspecific hardware.

The ESA is studying whether a European minisatellite is feasible. Another option is an ESA-funded small rocket, as reliable and economic launchers for small payloads are in short supply.

Chernobyl food made fit to eat

A US company is removing radioactive material from milk and other liquids, writes Matthew Kaminski

ong after Chernobyl's fourth reactor exploded and spread As nuclear cloud across Europe 10 years ago, Ukrainians and Belarussians are still exposed to large doses of radiation in foods produced on the rich farm lands around the stricken power plant.

Now an environmental engineering company based in the US state of Georgia, plans to apply its unique waste and ground water decontamination technology to make the food fit for consumption. The technique is currently being used at US nuclear missile and open mine pit waste sites.
Seleutec, a private company, has

found a way to remove radioactive cesium and strontium from milk, juices and water that preserves the products. The company plans to open a pilot operation in Ukraine next year and then to try to commercially market the technology in other affected countries.

The water treatment process, called Mag-sep, uses tiny particles with large surface areas that can rapidly remove the radioactive element. The particles are made up of plastic resin and a magnetic core. As contaminated water gets mixed with the particles, cesium or strontium are absorbed. The mix is then run through a magnetic filter to separate the clean water from the radioactive waste. The waste is stripped off with acid and the particles are

reused. When Selentec approached Ukraine about the possibility of treating contaminated soil and ground water there, scientists in Kiev asked if the same process could be used for milk.

About 80 per cent of the radiation dose from food in Ukraine comes from milk contaminated with cesium. Children, with their diets rich in dairy foods and their cells quickly changing as they grow, stand the greatest risk of contracting cancer and passing the genetic changes to

coming generations.

Milk presented an obvious problem: cleaning might also remove calcium, protein and fat along with the cesium, the active radioactive element most often

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found in milk. "If we were taking out calcium it would be no good, because you would be left with demineralised milk," says Michael Dunn, president of Selentec and former nuclear engineer at Bechtel. "We did some testing and found we could treat the milk, bsorbing just the cesium. It works pretty much the same as

our water treatment." Unlike other cleaning procedures, says Mr Dunn, Selentec's system uses no chemicals or special filters. These would demineralise milk. It also produces little waste, which can be disposed of cheaply by encasing

Dunn estimates that the process would add one percentage point to the cost of a carton of milk. The savings would come in improved health care – all types of illness are 30 per cent higher in Ukraine's

contaminated zones than in other regions - and reduced waste of bad milk

it in glass or cement. Preliminary tests at 15 gallons per minute indicate the process can remove 95 per cent of the cesium from milk.

Selentec wants to install a \$600,000 (£380,000) machine at the large Ovruch milk factory near Zhytomyr, the capital of a heavily contaminated region in western Ukraine about 100km from Chernobyl, that could clean 50 gallons a minute.

Dunn estimates that the process would add one percentage point to the cost of a carton of milk. The savings would come in improved health care - all types of illness are 30 per cent higher in Ukraine's contaminated zones than in other

regions – and reduced waste of bad milk. Juices and water will also be

decontaminated in Ovruch. Water sometimes contains dangerously high levels of strontium, another radioactive element that gets into

Although exposure to radioactive iodine immediately after the Chernobyl accident is believed to have caused a sharp increase in the number of cases of thyroid cancer among children in Belarus, as well as in other affected areas, it has a short half-life and is no longer seen as a threat. Cesium and strontium, however, stay active for around 28 years. Unlike iodine, they are absorbed through foods such as

milk or beef.
"This technology has a great future in our country," says Viktor Yanitsky, who runs the health department at Ukraine's food industry ministry, which has agreed to accept certification of the process from the US Food and Drug Administration, a unique

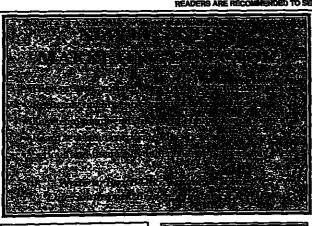
"If the milk today is found to be contaminated, it is unfortunately either destroyed or reprocessed into butter," says Yanitsky. At Ovruch, the biggest dairy plant serving the two most contaminated zones in Ukraine, the milk is consumed when the baccarel reading (the standard measure of radioactivity) falls below 370 bq per second – up to 1,000 bq per second is considered relatively safe. But over time Ukrainians ingest high doses - in the west milk contains virtually no cesium. The biggest fear centres on the bealth of children

Clean dairy products and juices are a start, but Ukraine wants to reduce the high incidence of cancer among children by treating other agricultural products that come from the contaminated

If the project gets off the ground next year, Mr Dunn says, Selentec next wants to test whether strained baby foods, such as carrots or peas before any thickener is added, can be also

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wharves, has an annual trade of about 8 million tonnes comprising mainly petroleum products, bulk grain, fertiliser and alumina. ested parties will be forwarded an Information Memorandum in early January,

upon the execution of confidentiality agreements. These parties will be requested to submit an indicative bid in accordance with the timetable set out in the information Memorandum. A short list of parties will be selected on the basis of the indicative bids. Following a reasonable due diligence period, short listed parties will be invited to submit a final bid. The Government reserves the right to short list any parties at its sole discretion.

The sale will be handled by the Government's advisers SBC Warburg Australia Limited and Fay, Richwhite Australia Limited. Enquiries should be directed to: Mr Peter Megrath

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LAW

Court decides on treaty rules



judgment on of establishment within the European Union the

European COURT Court of Justice ruled that a German lawyer based in Italy was governed by Rome treaty rules on freedom of establishment, rather than those relating to provision of services.

It also said any professional conditions imposed by a host state on a foreign lawyer had to be non-discriminatory, justified and proportionate.

The case arose out of disciplinary proceedings brought by the Milan Bar Council against Mr Reinhard Gebhard. Although he remained asso-

ciated with chambers in Stuttgart, since 1978 Mr Gebhard had practised in Italy. Initially, he worked in association with a set of chambers in Milan, but in July 1989 he opened his own chambers. Italian lawyers objected to his use of the title avvocato, to his having appeared before Milanese courts using that title and to his having practised profes-sionally from Studio Legale Gebhard. The Milan Bar banned Mr Gebhard from using acvocato, and brought disciplinary proceedings, resulting in his suspension from practice. He appealed, relying on the directive governing the provision of services by law-

The Italian national Bar Council stayed the disciplinary proceedings and referred the case to the European Court.

The court first considered whether his case was covered by the rules in the treaty on provision of services or those on the right of establishment.

Having pointed out that the provisions on services were subordinate to those on the right of establishment, and that a person could be established in more than one member state, the court ruled that services had to be temporary, which should be determined by looking at their duration and frequency or continuity.

The fact that the provision of services was temporary did not preclude the provider from having some form of office in

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nonetheless Mr Gebhard's situation was stable and continuing, and fell within the rules on right of establishment.

The Milan Bar argued that a person could not be regarded as "established" in a member state without belonging to the relevant state professional body, or at least operating in collaboration with members of such a professional body.

However, while the European Court accepted that membership of the local Bar could be a condition of being allowed to do certain types of work, membership could not itself be regarded as a constituent element of establishment.

The question whether it was possible for a foreign national exercise his right of establishment, and the conditions for exercising it, had therefore to be determined in the light of the activities that person intended to pursue.

The court then turned to the legality of national rules. It concluded that where the taking-up or pursuit of a specific activity was subject in the host member state to certain qualifications, or the membership of a professional body, a national of another member state intending to pursue that activity had in principle to comply with those conditions. However, national measures

liable to hinder or make less attractive the exercise of fundamental freedoms guaranteed by the treaty had to be applied in a non-discriminatory manner, justified by imperative requirements in the general interest, suitable for securing their objective, and not go beyond what was necessary in order to attain it.

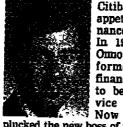
In applying national provisions, member states could not ignore the knowledge and qualifications already acquired in another member state. They had to take account of equivalent diplomas and, if necessary, proceed to a comparison of the knowledge and qualifications required by their national rules and those of the person.

C-55/94 Gebhard v Consiglio dell'Ordine degli Avvocati e Procuratori di Milano. ECJ FC, November 30 1995.

BRICK COURT CHAMBERS,

Citibank plucks

Canada's Smee



Citibank has an appetite for ex-finance ministers. In 1992 it hired Onno Ruding, the former Dutch finance minister, to be one of its vice chairmen. it has

plucked the new boss of its sovereignrisk management team out of Canada's finance ministry. Douglas Smee, 53 (pictured above), assistant deputy finance minister of Canada, and from 1992 to 1994 the country's executive director at the IMF, has joined Citicorp as a senior vice president responsible for sovereign-risk management. Smee, who replaces the recently retired Jack Guenther, will report to vice chairman William Rhodes.

Rinnooy Kan for ING Alexander Rinnooy Kan, chairman of VNO-NCW, the Netherlands' biggest business federation, is to join the board of ING Group, the financial ser-

The surprise appointment comes

more than a year after Rinnooy Kan. 46, turned down an offer to become minister of economic affairs in the Dutch cabinet formed in August 1994. The Dutch press greeted the announcement with speculation that he is the "heir apparent" to take over from Aad Jacobs, 59, as ING chairman, when he retires. ING said talk of

Jacobs' successor was premature. Rinnooy Kan, who is a past economics professor and vice-chancellor of Erasmus University in Amsterdam, has been chairman of VNO-NCW since 1991. The move to the ING board, scheduled for sometime in the summer, fills a vacancy arising from the retirement of Herman Huizinga.

Volvo's new broom



on the organisa-Tomas Svensk, who had been recruited from Electrolux as the marketing chief, has left after less than a year and Johannesson has taken a tighter grip on the commercial side of Sweden's biggest manufacturer.

INTERNATIONAL PEOPLE

As part of the reorganisation Johannesson has made Sven Eckerstein (pictured), executive vice president for technical issues, his new deputy. Stellan Flodin, head of quality staff, and Magnus Kinell, head of IT, will now report to Eckerstein. Hans Gustavsson, head of product and process engineering, takes on additional duties within this area and joins Volvo's 11-strong executive committee.

Johannesson has made clear that he sees his first management reshuffle as paving the way for the next generation of Volvo's leaders. William Hall

Reynolds tobacco boss RJR Nabisco, the US tobacco and food group, has made Pierre de Labouchere, 41, president and chief executive

of R.J. Reynolds Tobacco Interna-

tional, its overseas cigarette business.

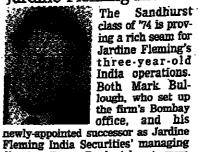
He succeeds Anthony Butterworth, 58, who is leaving the company.

De Labouchère, French born, is a graduate of the Hautes Etudes Commerciales business school in Paris. He joined RJR Tobacco France in 1980 as a senior product manager and worked his way up to become president of RJR's Eastern Europe, Middle East and Africa region.

in his new position, de Labouchère

faces the task of restoring life to R.J. Indian staff of 170, of whom just seven Reynolds' flagging international business, where it is running a distant third to Philip Morris of the US and Britain's BAT Industries. Richard

Jardine Fleming India



director, Roger Davis (above), were cadets at the British military officers school that same year. The sheer organisational feat of establishing that office in Bombay's exhorbitantly-priced business centre is, Davis happily acknowledges, not the least of his predecessor's achieve-ments. Jardine Fleming was the first foreign financial institution to secure a seat on the Rombay stock exchange.

It now has four India-dedicated funds,

a total of around \$800m under man-

agement in India, and an expanding

are expatriates.

Davis was previously chief executive officer of Robert Fleming's global investment banking in London. He says he aims to consolidate Jardine Fleming's investment banking, fund management and cross-border m&a activities and exploit what he says is already the biggest international distribution network for Indian equities. through the group's worldwide offices, Mark Nicholson

Treasurer for GM



General - Motors has chosen the chief financial officer of its General Motors Acceptance Corporation subsidiary to be its new treasurer. John Finnegan, 46 (left), has stepped

into the gap left by the unexpected resignation of Heidi Kunz, the highest ranking woman at the US car giant. Kunz, 41, has joined ITT Industries as. chief financial officer. Finnegan, who. has a MBA from Ruthers, began his General Motors career as an analyst with GMAC in New York, GM has not yet announced his replacement.

ON THE MOVE

vices company.

■ Thomas Kennedy replaces Karl Engels as president and chief executive of HOECHST CELANESE CORPORATION from January 1. Engels moves to Munich as chief executive of Wacker Chemie. Kennedy, who Joined the company in 1966 as a sales trainee, will retain his responsibilities as head of Hoechst's global basic chemical division, which includes Hoechst Celanese Chemical Group. Yves Barbe, deputy managing director of

AUTOMOBILES PEUCEOT. has taken on the chairmanship of Panhard, the group's military vehicles unit. Barbé, who retains his role at Automobiles Peugeot, succeeds Tristan d'Albis, who has been appointed French ambassador to South Africa.

■ Mark Burrows, executive chairman of Baring Brothers Burrows & Co, succeeds Alex Morokoff as deputy chairman of TELESTRA CORPORATION, Australia's state-owned telecommunications group. He will serve for five years and

David Hoare, the current chairman, has been reappointed for a further two HAMBERS, | years. BRUSSELS | Walter Hasselkus, 53,

omes a full member of the presently president of the BMW management board from applied compressor & expander January I, increasing board technique division. Prior to membership from six to seven.

■ Paul Breach has resigned as Nijdam's appointment, responsibility had been divided president, Europe and Africa, of SEAGRAM's spirits and between executive vice presidents Giulio Mazzatupi wines business, due to major policy and management and Bengt Kvarnback. ■ Professor Adrian Pagan, an changes. Breach is replaced by academic from the Australian Martin Frost, 45, who was National University, has executive vice president, replaced Professor Bob business development and Gregory on the board of the strategic planning RESERVE BANK OF ■ Martin Laws, 51, rises from AUSTRALIA. financial director to managing Fritz Holzey has been

director of CANON (UK), in appointed HAINDL PAPIER's succession to Yukio managing director for Yamashita, who is returning to production and technology, Japan. Yamashita has built up with effect from January 1. He the UK operation from an joined Haindl in 1967. annual turnover of £13m when Pat Duignan has been he joined, in 1980, to £436m last appointed general manager finance for TELECOM CORP year and a staff of over 2,570. Alain Belda becomes vice OF NEW ZEALAND. Duignan chairman of ALUMINUM CO. has been head of the New OF AMERICA. Frank Zealand Debt Management

Lederman, vice president, Office, director in the research, development and engineering, assumes the Investment Banking Division of CS First Boston New duties of chief technical officer Zealand and first secretary a position formerly held by (economic) at the New Zealand Peter Bridenbaugh, who will High Commission in London. concentrate on his automotive He has recently been an responsibilities. independent consultant to ■ Freek Nijdam has been **Electricity Corp of New**

appointed ATLAS COPCO's Zealand. senior executive vice president ■ V. Subrahmanyam and J.R. for construction and mining Prabhu have been appointed technique. Nijdam, born in the executive directors of the Netherlands, started with RESERVE BANK OF INDIA. Atlas Copco 25 years ago and is following the retirement of

O.P. Sodhani and S.N. Razdan. Subrahmanyam was chief general manager for RBI's nternal debt management and Prabhu the chief general manager of banking operations and development. Adriano Passardi, 53, and Dominique Morax, 47, have been appointed to the enlarged corporate executive board of ZURICH INSURANCE COMPANY. Passardi assumes responsibility for the controlling and management services division, succeeding Heinrich Wirth, who retires at the end of the year. Morax. currently manager of the investment department, takes on responsibility for the recently created fund and asset management business division. ■ Madame Sum Nipha has been appointed deputy governor of the NATIONAL BANK OF CAMBODIA, replacing Chulong Somura, who resigned on September 13. Sum Nipha had worked for the

Banque Rivaud in Paris, for several years. ■ Mitchell Mandich, 47, is to be vice president of worldwide sales at NEXT COMPUTER and a member of the company's executive management team. Before joining NeXT, Mandich served as senior vice president of

Americas sales and Marketing

at Pyramid Technology.

■ Joseph Magliochetti becomes president of DANA CORPORATION from January He has been Dana's president for north American operations since 1992, and will now take on additional responsibility for European operations, Southwood Morcott, who has been president since 1986, continues s chairman and ceo. ■ Brent Ballantyne has resigned from the UK's HILLSDOWN HOLDINGS following his appointment as Beatrice Foods, a leading Canadian food manufacturing company. Ballantyne was formerly ceo of Manle Leaf Foods, which was sold by Hillsdown in April. Steven Peras has joined CREDIT SUISSE NORTH AMERICA to manage its foreign exchange and precious metals activities. Peras joins from Republic National Bank of New York, where he had been responsible for foreign

chairman, president and ceo of exchange operations in New York and Singapore. Yu Xinyang has succeeded Xu Fangjie as chairman of SHANDONG HUANENG POWER DEVELOPMENT CO. He was deputy director of Electric Power Bureau of North-East China. Shandong

Huaneng was the first Chinese

electric power generator to be

listed on the New York Stock Exchange, in August 1994. ■ Patrice Marteau has taken over from Bernard Youcourt as company secretary of Pinault-Printemps-Redoute, the French retail group. **■ CREDIT LYONNAIS has** appointed Pierre Rivière, a member of the COB bourse watchdog, as independent ombudsman to deal with customer complaints. ■ Michael Levin, 53, succeeds David Shute, as general counsel of SEARS, ROEBUCK, from January 1. Levin is a 🕟 partner of Latham and Watkins in Chicago. ■ Jean-Michel Steg, 42, has left Lazard Freres et Cie to be head of corporate finance in Paris for BZW, the investmentbanking arm of Barclays Bank ■ Gordon Humphrey has resigned as a director of W. R. GRACE & CO.

International appointments

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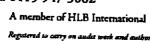
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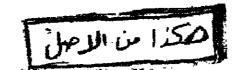
quarterly FT Exporter. This comprehensive guide will analyse the current trends in the world's leading markets (paying particular attention to Japan. Canada and the Czech Republic), assess their likely demands for capital and consumer goods and look at how Europe's exporters are shaping up to meet them.

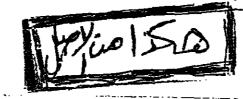
There will also be a special report on the Internet in which we reveal how some exporters are now arranging international trade deals on the information superhighway.

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Drawn to figure and form

William Packer reviews two exhibitions of sculpture

ince so much of what now passes for serious modern sculpture amounts to little more than the re-pre-sentation - by assemblage, installation or even simple appropriation - of given material, it is good to be reminded that close reference to the human form was once the modern sculptor's prime imaginative stimulus. Of the Human Form at the Waddington gallery shows us that to a surprising extent it still is - although attitudes to knowledge and technical accomplishment have clearly changed. There is no statement of cur-

atorial intention in the catalogue, but a quotation from Henry Moore is given in the hand-out. "In my opinion, long and intense study of the human figure is the necessary foundation for a sculptor ... A moderate ability to draw will pass muster in a landscape or a tree, but even the untrained eye is more critical of the human figure - because it is ourselves." The point is inescapeable in the exhibition whether intended or not.

For on the one hand we have the work of those modernist generations, from Degas and Rodin, Matisse and Picasso, Lipchitz and Lehmbruck, Giacometti and Moore, even down to William Turnbull, which, for all their differences and degrees of abstraction remain in the essential tradition of looking and making. On the other hand, we have the rest: all, with but the rarest exceptions, thrashing about, this

way and that, Here is a small Degas study of the nude, close in pose to the "Small Dancer", with hands on hips and breasts thrown forward. Close by is a Lehmbruck torso, that at once harks back to the classical model and forward to art-deco formalism. Here too is Giacometti's attenuated bust of Diego and Turnbull's tiny yet monumental abstracted head, teased and smoothed out of a mere lump of clay. All are modelled, all realised with a deep under-standing of what the figure is, as it lives and breathes.

ohn Kander and Fred Ebb

are probably the greatest

current exponents of the American musical, with

the exception of Sond-

heim. However, the opening

night of this compilation show

was a slight case of "Hamlet

Director Jude Kelly's pre-cur-

tain announcement was that

Michelle Dixon, whose laryngi-

tis had reduced her to miming

through the previews, would

tonight attempt a few of her

numbers. Even reduced to a

husk of its full-throated self, it

is evident that Dixon has a

remarkable gospel voice which,

when restored, could see off

all-comers, and fully justifies

casting this relative unknown

in the central role.

without the Prince".

But should such quiet tri-umphs then be set with such things as Bruce Nauman's black and yellow wax heads, cast from life, the one sticking his tongue up the other's nose? Is it any use to compare Rodin's crouching woman, so vigorously felt, and Antony Gormley's mannikin, cast from himself, hunched up with his arms round his knees, with all form blurred and generalised, no detail risked? A life-cast is an evasion of the problem of realising the figure, not its resolution.

Gormley and Nauman are perhaps wise in their evasion, for when their contemporaries try something less automatic. the result is cynical where it is not embarrassing. Poor Julian Schnabel, how pompous he is in his ineptitude, his head of his "Jacqueline" as ill-modelled as it is pretentious. Penck and Baselitz have done nothing more than hack away at lumps of wood. What business have these supposed heads to be in "Jeannette" by Matisse?

As for de Kooning's play-pen exercises and Barry Flanagan's grotesque caricature of Lisa Lyon, with one arm withered, the other long enough to reach the floor, we come back to Henry Moore. "The human figure is most complex and subtle and difficult to grasp in form and construction, and so makes the most exacting form for study and comprehension." And there is the little Degas to not their unthinking ignorance to shame.

Of these latter-day moderns, only Mimmo Paladino, with his masked and painted hieratic figures, emerges with real credit. His work is at least well-informed, the carving or modelling honest and unaffected. Though his work may be simple and formalised, we do feel that he, with Moore, has looked long and hard at the figure, studied and co

Across the road at Mercury, Henri Gaudier-Brzeska is remembered in a show of sculpture and drawings. He was a young Frenchman of

But herein lies the problem. The World Goes Round is 100

per cent song and dance: char-

acterisations and relationships

are to be inferred from the

musical programming. With a clutch of Dixon numbers reas-

signed to Flona Hendley and

former Wham!-ster Pepsi

Lawrie Demacque, this dra-

matic house of cards collapses:

it becomes impossible to

unravel who is supposed to be

confiding in or lamenting over

It remains an expertly

assembled entertainment,



Precocious talent: one of Henri Gaudier-Brzeska's bronzes

precocious talent who came to live in London before the first world war. He went back to join up, and was killed on the Western Front in 1915, aged 24. He was a great loss quite as much to British as to French and influential in his time in London, with his interests in the primitive and the symbolic, and what he knew of the cur-

Musical/Ian Shuttleworth

The World Goes 'Round

building up to finales of Caba-ret and New York, in Acts I and

II respectively. Hendley and Glyn Kerslake are seasoned

musical performers - the for-

mer concentrating on grinning

kookiness, the latter more ver-

satile in mood and delivering the most bitter rendition of Mr

Pianist and musical director

Warren Wills and his rhythm

section are joined by florid fla-

menco guitarist Esteban

Antonio to produce a Hispano-

jazz hybrid which is at times

bizarre but far from umpleas-

Cellophane I have ever heard.

rency of sculpture in Paris. What we find here is a young artist working in several ways at once, looking now to the primitive, now to cubist abstraction, now to a romantic symbolism. And all the time the work is founded in the constant, vigorous practice of drawing from the figure.

:n understand all the sculpture, though it has nothing of the looseness and freedom of the drawings. There is a calm simplicity to the sculpture, whatever the image, and a stately rhythm to its organisation - all balance and

ant. RJC Dance Theatre Com-

pany supply a complement of fluid movement, for the most

part of a jazz-contemporary

distinct groups, the company takes some time to gel; only early in Act II, with the title

song from Kiss of the Spider-

woman, do the dancers get

their first opportunity to do

much more than simply aug-

ment the songs. But a definite

camaraderie does emerge, and

one consisting of more than

Kelly's directions to the per-

Comprising as it does three

nature.

order. The demonstration, no less than at Waddington across the road, is that from that "long and intense study of the human figure", all else follows. For us it is all so moving because it is ourselves.

Of the Human Form: Wadding ton Galleries, 11 Cork Street W1, until December 22. Henri Gaudier-Brzeska: Mercury Gallery, 26 Cork Street W1, until

formers to cheer one another on. Nevertheless, Dixon's indisposition deals a heavy blow to narrative coherence. Demacque in particular is uncertain where to put herself on the nightclub set during one or two newly-acquired songs.

On this showing, it is impossible to judge the evening except by the Song by Song . . . standard it seemed so determined to transcend. By those standards it is a fine show. though not a momentous one; perhaps in a week or two, audiences will see the more delicate structure that was obviously intended.

At the West Yorkshire Playhouse, Leeds, until 20 January (0113-2442111).

Ballet/Clement Crisp

Mr Worldly Wise

Twyla Tharp, we heed every step, where she leads. These pages have charted her progress for 25 years, from brave iconoclast to grandly assured maker of dances for both modern and classical troupes. Her choreography has ever seemed dazzling, bold, and it has often shown a concern with the establishing of order from chaos, with action on that fine balance between security and disintegration.

In this she is a figure of our time: we see in society, as in art, the difficulty with which the line holds. Tharpian dance has raced with dizzying verve, but has not over-balanced. Tharpian skill has fused disparate elements ~ rag-time and Haydn; family drama and bravura steps - and made us believe and rejoice in what she

So, faced with the three acts of Mr Worldly Wise which she has made for the Royal Ballet, and which had its first performance on Saturday night, I went with happiest anticipation. What I saw is difficult to qualify save as vastly disap-pointing. The theme, or rather the point of departure, is Rossini, whose music is used throughout. The piece is not biography. Rossini's life - from worldly success when young, by way of reclusive middle years to final serenity in Paris and the production of those works he called "Sins of old age" - serves as parable of an artistic journey, which may even be seen to reflect on Tharp's own career.

The result, though, is a ballet both gauche and unconvincing. Tharp's ingenuity in the first act is undeniable. Irek Mukhamedov, in tattered dress, is the eponymous worldling (shock-haired, driven by tearing steps, playing the role at us like a great clown) with Tetsuya Kumakawa (also in tatters, cork-screwing in prodigies of bravura: Tharp relishes his flashing technique) as "Master Bring the Bag", who is servant, shadow, apprentice, jester. Mukhamedov is goaded by success, haunted by his creations, facing mental breakdown. The score comprises early overtures, late vocal music. Amusing costumes piece is cleverly designed by David Rogers - and some skittish dances for vegetables (Rossini wrote a piano prelude entitled "Ugh, Peas!") and zany operatic characters, lend a joking edge to events. Yet Mukhamedov is so compelling an artist, and the dance for him and for Kumakawa is so taxingly brilliant, that we accept the entire act as a piece of legerdemain whose significance

ot, alas, so. The second act finds Mr Worldly Wise escaped from the frenzy of his career and the spiritual darkness it has engendered for so an effusive programme-note advises). He is in a realm of order and proportion and community and grace". He is, to put it bluntly, in a ballet company. Ranks of white-clad dancers. Darcey Bussell - identified, dear Heaven, as Mistress Truth on Toe - who has flitted through the first act, represents everything that Mr Wordly Wise desires. He plainly does not desire an interesting performer, because Bussell, in a little ice-blue satin frock, gives the sort of interpretation you might expect from a girl thus costumed. (I kept looking for

the skates). It is one of the many sadnesses of this ballet that Bussell's gifts have so escaped Tharp. Cast as a Muse, Bussell is given dull academic evolutions which she performs as if in a trance. Her companions -

led by Leanne Benjamin (who tries to enliven things) and Deborah Bull, Stuart Cassidy and William Trevitt - are trapped in an interminable toand fro of classic amabilities. shot through with occasional twitches of "amusing" distor-

In earlier works - The Little Baller, Brahms Handel for New York City Ballet - Tharp created lively academic ensembles. For the Royal Ballet. using a too-generous selection of Rossini's late piano works. not notable for their vivacity, she has made politeness a way of being. Time seems as numbed as the pallid choreog-The last act, reconciling Mr.

Worldly Wise with his identity. starts with a sketchy Second Empire promenade of vestigial crinolines, bonnets, toppers and rhubarbing gesture. (Massine, where art thou?) There is much sweetness and light on offer. Mukhamedov is given a big, expressive solo when Worldly Wise again finds himself alone on a darkened stage, facing his destiny. Vegetables and operatic phantoms re-appear, but Worldly Wise flees, racing towards better things (a different ballet() while Master Bring the Bag sets about taking over his identity. The curtain falls.
Thus Mr Worldly Wise, It is a

work so puzzling, so prolix, that I find it hard to reconcile with anything Twyla Tharp has done before I thought it sentimental, disjunct, uncertain in manner. It is misjudged in its components - the grabbag of Rossini music does not hold together - and has an oddly sanctimonious air, as if Tharp were receiving message: from the beyond. And, despite the power of Mukhamedov's presence, it nowhere seems coherent. Inside this overblown affair there is a clever one-act ballet waiting to get out, Too late, Too late.

Concerts/Adrian Jack

'MultiMusic' festival

he Place Theatre, austerely functional home of contemporary dance, occasionally puts on concerts. MultiMusic was a ten-day festival of new music hosted by Piano Circus covered their kind of sharply-platterned music (Steve Reich, Graham Fitkin) as well as jazz, easy listening and all kinds of music of uncertain pedigree. More than half the evenings

vere shared, presumably to break down barriers between different audiences. On Monday, planist-composer Errolyn Wallen had a nice personality and can sing in a passable jazz! rock falsetto, but her talents as a composer are slim; only the last song of her set, "Hurricane of Love", had much force, though not as much as its title. Later, the Radio Science Orchestra turned out to be an eight-piece band of posers, creating an entertaining, Glen Baxter-like mix of nostalgia and humour. Suavely suited Bruce Woolley crooned pleasantly and pretended to play the electronically warbling Theremin, famous from Hitchcock's film Spellbound. There was a breathy-voiced soprano, Darby Brown for sugar-frosting, a harpist for a touch of class, a spunky drummer for a bit of

white-coated computer boffin for laughs. Andy Visser brought off some stylish embellishments on saxes and flute, and all the arrangements, not clearly credited in the pro-. Were eier

On Wednesday, the jazz trio Infinitum shared a long evening with the Kreisler String Orchestra. Infinitum's composer and pianist Nikki Yeo pitched her introductory patter at five-year-olds and called her compositions "tunes". They were far too sophisticated for that, with tensely elaborate, Latin-based syncopations and liberated harmony to the point of becoming atonal.

The complex switches of mood and beat were tightly worked out between her, the drummer Keith le Blanc and Michael Mondesir on bass gui-tar. A piece called Solo Gemini began with Yeo and Mondesir in unison, outlining a complex melodic line in unpredictable note values that was almost a 12-note series. Yeo need not have explained the musical argument of "Dance of the Two small Bears" in playtime terms - surely the music was aimed at more intelligent listeners -

but the snappy, gestural flourishes of "Dougall's Dream"

were quite funny when smudg-

rhythmic backbone, and a ing out the dialogue of a children's TV show - a trivial jeu d'esprie to end a pretty demanding set. Nikki Yeo will decide on her own future, but I would find her punchy keyboard style more exciting if ous harmonic grammar.

The Kreisler String Orchestra fielded nine violinists. three viola players - all standing in a semi-circle - with two cellists and a bass, seated in the centre, and a keyboard/percussionist in two minimalist "classics": Arvo Part's Cantus in Memoriam Benjamin Britten and John Adams's over-long Shaker Loops. They played without a conductor, and with more enthusiasm than finesse but Zoran Eric's Cartoon was an effective, simple piece of chug-chug neo-classicism, and Javier Alvarez's Metro Chaba-cano of 1987 a real winner, with a catchy, suavely dipping melody over a neat ostinato accompaniment tracing a wellstructured harmonic journey. Throughout, The Place's stage managers twiddled with coloured light, including, for a good few minutes in Shaker Loops, a lurid orange bathing the players and white floodlights glaring straight into the audience's eyes, just like a motorway nightmare.



■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Orlando Kwartet; with cellist Boris Pergamenschikow perform works by Beethoven, Boccherini and Schubert; 8.15pm; Dec 14 JAZZ & BLUES Bimhuls Tel: 31-20-6233373 Dave Holland: solo performance by this double bass player; 9pm;

BERLIN CONCERT

Konzerthaus Tel: 49-30-203092100/01 Habá-Quartett: perform works by Lachenmann, Ablinger, Reich and Sciamno; 7.30pm; Dec 13 OPERA & OPERETTA Deutsche Oper Berlin Tel: 49-30-3438401 Die Zauberflöte: by Mozart. Conducted by Sebestian Lang-Lessing and performed by the Deutsche Oper Bertin. Soloists include Reinhard Hagen, Kurt Streit and Friedrich Molsberger, 7pm; Dec

Staatsoper unter den Linden Tel: 49-30-2082861 Hänsel und Gretel: by Humperdinck. Conducted by Fablo Luisi and performed by the Staatsoper unter den Linden. Soloists include Bernd Zettisch, Uta Priew, Dagmar Pecková and Laura Aikin; 7pm; Dec 13, 16

OPERA & OPERETTA Civic Opera House & Civic Theatre Tel: 1-312-332-2244 The Makropulos Affair: by

■ CHICAGO

Janácek. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Catherine Malfitano, Kim Bagley, Tom Fox and John Duykers; 7.30pm; Dec 13, 16

COLOGNE

OPERA & OPERETTA Opernhaus Tel: 49-221-2218240 Elektra: by R. Strauss. Conducted by James Conlon and performed by the Oper Köln. Soloists include Hanna Schwarz, Gabriele Schnaut, Eva Johannson and Andrea Trauboth; 7.30pm; Dec

EINDHOVEN

CONCERT Muziekcentrum Frits Philips Tel: 31-40-2442020 Schoenberg Ensemble: perform Schoenberg's "Das Buch der

hängenden Gärten" and works by Kurtág; 8.15pm; Dec 13

FRANKFURT CONCERT

Alte Oper Tel: 49-69-1340400 Christine Schäfer: accompanied by planist Graham Johnson. The soprano performs songs by Zelter, Schubert, Mahler, Berg and Schoenberg; 8pm; Dec 15

■ GLASGOW CONCERT

Glasgow Royal Concert Hall Tel: 44-141-3326633 Royal Scottish National Orchestra: with conductor Vernon Handley and violinist Tasmin Little perform Mendelssohn's "Hebrides Overture", Bruch's "Scottish Fantasy*, Nielsen's "Helios Overture" and Sibeltus' "Symphony No.5"; 7.30pm; Dec 14

CONCERT

Gewandhaus zu Leipzig Tel: 49-341-12700 Weihnachtsoratorium (Part 1, 2 and 3): by J.S. Bach. Performed by the Gewandhausorchester and the Thomanerchor, conducted by Georg Christoph Biller. Soloists include V. Hruba-Freiberger, R. Lang, P. Schreier and M. Görne; 5pm; Dec 15 (7.30pm), 16, 17

LEIPZIG

DANCE Oper Leipzig Tel: 49-341-1261261 ● The Sleeping Beauty: a choreography by Scholz to music by

Tchalkovsky, performed by the

Leipziger Ballett and the Gewandhausorchester, 3pm; Dec 13

LONDON AUCTION

Christie's Tel: 44-171-8399060 Russia at Christie's. Important Icons, Russian Pictures, Works of Art and Fabergé: highlights of the sale include a previously unknown portrait of Boris Pesternak painted by his friend lurii Annenkov, a draft of Alexander Pushkin's poem "Over the hills of Georgia lies an Evening Mist" and a landscape drawing by Mikhail lur'evich Lermontov; 10.30am & 3pm; Dec 13 Phillips Tel: 44-171-6296602 Oriental, European and Art Nouveau Ceramics: including

Chinese porcelain flasks and vasa and Chinese temple carvings; 11am & 2.15pm; Dec 13 CONCERT Barbican Hall Tel: 44-171-6388891 London Symphony Orchestra Chamber Players: perform works by Telemann, Bach, Mozart and

Brahms: 7.30pm: Dec 13 St. John's, Smith Square Tel: 44-171-2221061 Choir and Orchestra of St. John's, Smith Square: with conductor John Lubbock, bass Stephen Richardson, violinist Jonathan Rees, flutist Lenore Smith. trumpeter Mark Bennett and oboist Melinda Maxwell perform excerpts from Handel's "Messlah", works by Pachelbel and J.S. Bach, and carols for all; 7.30pm; Dec 13 Migmore Hall Tel: 44-171-9352141 Sally Burgess: accompanied by the pianists Philip Thomas and Neal

Thornton, The soprano performs

works by Chabrier, Canteloube,

Debussy and others; 6pm; Dec 13 MUSICAL

Olivier Theatre Tel: 44-171-9282252 A Little Night Music: by Sondheim. Directed by Sean Matthias. The cast includes Judi Dench, Laurence Guittard, Patricia Hodge and Sian Phillips; 7.15pm, Dec 14, 16 also 2pm; from Dec 13 **OPERA & OPERETTA** Royal Opera House - Covent Garden Tel: 44-171-3044000

 Tosca: by Pucclni. Conducted by Simone Young and performed by The Royal Opera. Soloists include Maria Ewing, Giuseppe Giacomini, John Dobson, Harry Dworchak, and Jeremy White; 7.30pm; Dec 13

■ MARSEILLE CONCERT

Cité de la Musique Marseille Tel: 33-91 39 28 28 Autour de Henri Purcell: special programme devoted to Purcell, commemorating the death of the composer 300 years ago. With soprano Brigitte Peyre, mezzo-soprano Mireille Ouercia, flutists Catherine Duval and Xavier Walczak, viola-player Danièle Alpers and Christine Lecoin on harpsichord: 8.30pm; Dec 15

■ NANCY

CONCERT Opéra de Nancy et de Lorraine Tel: 33-83 85 30 60 Orchestre Symphonique et Lyrique de Nancy: with conductor/ planist Stephen Kovacevitch perform

Mozart's "Symphony No.29", "Piano

Concerto No.25" and "Symphony No.40"; 8.45pm; Dec 14, 15

NEW YORK CONCERT

Auditorium of The Metropolita Museum of Art Tel; 1-212-879-5500 ■ Beaux Arts Trio: perform works by Hummel, Adolphe and Schubert; 8pm; Dec 15, 16

PARIS CONCERT

institut Néerlandais Tel: 33-1 47 05 85 99 Weihnachtsoratorium; by J.S. Bach. Performed by the Amsterdam Baroque Orchestra and Amsterdam Baroque Choir, conducted by Ton Koopman, Soloists include soprano Barbara Schlick, mezzo-soprano Elisabeth von Magnus, tenor Guy de Mey and bass Klaus Mertens; 8pm; Dec 14

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Katia & Marielle Labèque: witth pianist Gonzalo Rubalcaba. The pianists perform works by Ravel, De ila, Albéniz and Rubalcaba; 8,30pm; Dec 13

■ SAN FRANCISCO CONCERT

Louise M. Davies Symphony Hall Tel: 1-415-864-6000 San Francisco Symphony: with conductor Michael Tilson Thomas and cellist Steven Isserlis perform the overture to Rossini's "Semiramide", Haydn's "Cello Concerto in D major" and Adams' "Harmonielehre"; Bom; Dec 13, 14 (2pm), 15, 16

WORLD SERVICE BBC for Europe can be

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17.30 Financial Times Business

Tonight Midnight Financial Times Business If those who embody the

state at its highest level can

not find answers to unemploy-

ment and social injustice, peo

ple are asking, why should

they enjoy an exclusive status and virtual immunity from

Because the elite schools

such as ENA hold what is

almost a monopoly in French

decision-making, graduates of these schools attain positions

of responsibility at an early

age. They lack not only work

experience "in the field", but

also the required maturity

and modesty which only time

and the test of government

Lurking behind these crises of the state and of politics is a

far deeper social malaise

which can be summarised as a

lack of hope for the future. In

May 1968, the French were

bored, the weather was beauti-

ful and the state was rich. In

autumn 1995, the French are depressed, it is cold and the

state is poor and in debt. The

young who have not yet

entered the workforce and the

wage earners who worry over

the future of their pensions

are bound together by a com-

mon fear about what the

When he proposed his reforms, Mr Juppé did not

understand the psychological

and social depth of these

fears. Only now, three weeks

into the strike, has he begun

France is in the midst of a

crisis of transition. It is turn-

ing from a welfare state living

beyond its means into a mod-

ernised state learning to live

with modest means. Yet the

present crisis is in keeping

with the French political tra-

dition whereby le peuple can

only engage in reforms while

flirting with revolution. There

must be less costly ways of transforming society.

accountability?

can provide.

future holds.

to address them.



Europa · Dominique Moïsi

Costly way to change

The present strikes reflect the fact that France is suffering from a triple crisis: of the state, of politics, and of society

As the wave of French strikes in May, prime minister Alain enters its third, and possibly final, week the people of France - and above all Parisians - are entitled to ask whether there are less costly ways of demonstrating France's distinctiveness. Everyone is asking what the

origin of the present crisis really was. Did it stem from the anachronistic resistance of trade unions and others to long overdue and vital reforms which were put off under two consecutive Socialist presidential mandates? Or does it represent the revolt of a desperate and proud people against the technocratic disdain of its rulers?

Once again, France is surprising both itself and its neighbours and partners. The latter may admire the French people's ability to marshal their opposition to unpopular proposals. But they are mainly worried about the consequences of the unrest for the future of the European Union.

In 1968, General de Gaulle's ambition to promote an international role for France as an intermediary between east and west was stymied twice first by May's student revolt, then by the Soviet invasion of Czechoslovakia in August. The events of May weakened France from within; those of August highlighted the limits of any possible rapprochement between the two halves of Europe.

In 1995, what is at stake in the streets of Paris and the main provincial cities, is not just the future of France and its margin for manoeuvre on the international stage: it is the future of the EU itself. If irrationality prevails and the strikes linger on, France will be unable to join the single currency, which will mean the end of economic and monetary union. Furthermore, the weakness of France's position would seriously threaten the stability of the Franco-German relationship. How did we reach this sorry pass? At the start of its mandate

Juppé's government was faced with a number of challenges. It needed to stimulate adequate economic growth while engineering a significant reduction in unemployment; it needed to keep inflation low and to cut the public-sector deficits while preserving as much as possible of the welfare state; and it needed to

satisfy a still rigidly corporatist society while acknowledging the convergence criteria of monetary union as set out in the Maastricht treaty. For many years France lived beyond its means. The post-second world war economic boom is long gone and the social security system that depended on constant economic growth is bankrupt.

Reform had become absolutely essential. A majority of French people accepted that an overhaul - which, in the government's view, would require control of the system to be passed from the unions to the French parliament -But this did not mean that

the government had carte blanche to impose its chosen solution. In a complex society, rational choices can prevail only if they are preceded by pedagogy, not demagogy.
Instead of calmly trying to make public opinion ready for tough measures, after the manner of US President

The French behave towards their state in the same way that adolescents behave towards their parents: switching abruptly between rebellion

and submission

Franklin D. Roosevelt and his fireside chats, which prepared Americans for the US's entry into the second world war, Mr Juppé's government gave the impression first of ignoring, then of seeking to pander to, French public opinion.

Public resistance to the Juppė plan is based on more than a stubborn refusal to bow to indispensable reforms. It is a reflection of society's desire to enter into dialogue with the government it elected. The present strikes, therefore, reveal a triple crisis: a crisis of the state, of politics, and of society.

If France is more affected by the need to move away from the concept of the welfare state than other European and western countries are, it is because the state's role is more central in France than anywhere else. The French nurture contradictory feelings towards their state. They criticise its heavy-handedness and inefficiency. But they also appreciate the reassuring presence of its protection.

The way the French behave towards their state is similar to the way adolescents behave towards their parents: switching abruptly between rebellion and submission. Only a minority really wants a minimalist "business friendly"

The political crisis is most

readily apparent in France's political elite. Most of its members are graduates of the Ecole Nationale d'Administration (ENA), the prestigious but stifling and conformist public service training school. These political technocrats in their plush corridors never learnt to appreciate the need for social dialogue, nor how to govern in a genuinely democratic environment, in which all citizens expect to be treated as equals. Today the French are beginning to criticise this technocratic elite,

and to question whether it is The author is deputy director truly efficient, in a manner of Paris-based Institut Fran reminiscent of their ancestors çais des Relations Internationales. He unites here in a perwho questioned the role of the nobility at the end sonal capacitu

LETTERS TO THE EDITOR-

Number One Southwark Bridge, London SEI 911L We are been to enturing letters from readers around the world. Letters may be faired to 444 171-873 5938 (please set far. to fine't email letters editor@ft.com. Translation may be scallable for letters writing in the main interpational languages.

Time for the independent director tigers

From Mr Peter M. Brown. Sir, Tom Benyon, chairman of the Guild of Shareholders (December 9) calling for tigers not toadles as independent directors highlights another problem:

The Cadbury and Greenbury reports lay extra responsibilitées on independent. directors and as a consequence many companies are now limiting main board executive directors to one outside directorship.

However. Mr Benyon wants these formal responsibilities extended to include assessing

overall board conduct; appraising business as well as financial controls; considering market announcements and having a specific responsibility to private shareholders. Many of these

responsibilities already rest with the chairman and our recent research for Russell Reynolds highlights the increased effectiveness of independent directors when the board is led by a part-time non-executive chairman.

Mr Benyon could have supported Greenbury and

required all quoted companies to separate the role of chairman and CEO, but calls for independent directors to spend even more time in that role could impair their critical contribution, their own

It will further restrict the number of working directors available for the role, and in our experience, estimable though retired executives or partners are as independent directors, the best and most demanding renuneration, audit and

director.

also include active executives.

They are usually highly respected by their executive colleagues, limit their role to major issues, insist (because of their own schedules) that meetings are crisp and effective and in extremis can use the threat of resignation with greater

Peter M. Brown, chairman, Top Pay Research Group. Upper Ground Floor. 9 Savoy Street. London WC2R OBA, UK

A fashion for laziness of intellect

From Mr Andrew Compbell. Sir, Mr William Wallace (Letters, December 7) should not believe all he reads in

Journalists who describe business actions, like conglomeration, as being in or out of fashion, demonstrate their intellectual laziness rather than their intimacy with the decision-makers.

Business decisions are driven by ambition and constrained by economic realities. We have known for at least 10 years that more than half of acquisitions fail to create value for the acquiring company. Hence, all deals are examined closely by institutions, who normally

hold stock in both companies. Unless the new management team can present a case for why it is likely to do better than the old, the deal will not go ahead. The decision has little to do with short or

Instead of reacting to prattle, Mr Wallace would do better to study the arguments put forward by Forte and Granada and decide for himself whether he thinks the institutions make the right decision.

Andrew Campbell, Ashridge Strategie Management Centre, 17 Portland Place, London W1N 3AF, UK

long-term issues.

Directors of small companies on Tecs

Three of the named Tecs

have substantial membership

schemes or are merged with

chambers of commerce, and

members. The directors of

not lobby groups or parties.

private-sector directors on

of business interests in their

Finally, with only 10

their boards must be a matter

for decision by their members,

their boards, Tecs cannot hope properly to reflect the breadth

thus are accountable to

Tecs each have one such

From Mr Chris Humphries Sir, The figures quoted by the shadow small business minister in your article "Tec Boards not representative (November 27) are neither accurate nor complete, and thus do not withstand scrutiny. At least half the Training and Enterprise Councils named by Barbara Roche as having no companies with directors from small businesses on their boards in fact have one or more. In particular, Dorset Tec.

Heart of England Tec, and Southern Derbyshire Tec each have two companies with less than 10 employees, while North London, Sandwell, Cumbria and Thames Valley

local communities by board

Tecs have therefore established a wide range of consultative structures by which they consult and engage

membership alone.

with small businesses including sector-based advisory boards, liaison with chambers of commerce, small companies advisory groups, employer councils with representatives from all sizes and sectors of businesses, and focus groups of companies based on geographical location. In addition, Tecs have

funded and supported the establishment of Business Links for the delivery of business services.

Chris Humphries, director of policy and strategy, Tec National Council, Westminster Tower, 3 Albert Embankment London SE1 7SX, UK

An engineering penalty

From Professor David Blockley. Sir, Your report "Entente cordiale" (December 5) outlined the new scholarship scheme agreed by Mr John Major and Mr Jacques Chirac at their October summit. The scheme's objective is to place 40 French and Britons in each other's universities and management schools. The report went on to state that French grandes écoles have problems with the exchange of engineering students because the standard three-year UK degrees are shorter than the continental equivalents. In Bristol University, in common with other ton

engineering schools we

introduced four-year courses for all students precisely because we want our graduates to compete on equal terms with their European counterparts. This is not. however, in accord with government policy which disapproves of the lengthening of degree courses. This policy leads to top engineering schools receiving a financial penalty for competing effectively in Europe.

Professor David Blockley, dean of engineering, University of Bristol, University Walk, Bristol BS8 1TR. UK

Federalism on the line

From Mr John Parfitt. Sir, To abandon the task of providing the legal framework for one of the central safeguards of British capitalism to an offshore legislature would be both negligent and absurd (leader. December 8). Indeed, and it applies to more than auditors' responsibilities. Can we now expect a change to your relentless Eurofederalist line?

John Parfitt, St Andrews, New Street. Painswick, Glos GL6 6UN, UK

Marketing • Diane Summers

Battle of the opinion pollsters

The Gallup brand name is at the centre of a

global struggle Gallup, one of the most famous international names in opinion polling, is in the divorce courts. What started as a small-scale domestic dispute has escalated into a full-blown legal row, with an argument over custody of the Gallup name at the heart of the battle. Gallup v Gallup recently fought the first round in the High Court in London. How-ever, according to Ms Meril James, secretary general of Gallup International, one of the parties involved, the dispute "isn't only about the UK

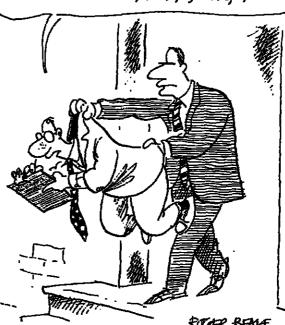
but is symptomatic of the global struggle for ownership of the brand". The story starts with Dr George Gallup, a founding father of opinion polling, who, says Ms James, "was more of a boffin than a businessman". As Mr Justice Robert Walker, the judge in the UK court case, put it: "Dr Gallup was interested in opinion polls as an instrument of democracy. He was not, it seems, greatly concerned with maximising commercial returns or securing intellectual

property rights." Dr Gallup, an American, born in 1901, became known between the wars as a pioneer of scientifically representative sampling to forecast voting patterns. Gallup polling companies sprang up in several coun-tries, including the UK, France, Australia and India. Mr Norman Webb, Ms James's predecessor, recalls that Dr Gallup never asked for any kind of franchise or royalty. The US Gallup operation

became what is now the Gallup Organisation, which, after Dr Gallup's death in 1984, was acquired by the Clifton family. Last year it was a \$100m business, with wholly owned subsidiaries (including some of the original Gallup offshoots) operating in 20 countries. In the 1940s, some of the Gal-

lup companies around the world started meeting each year as the International Assoclation of Public Opinion Institutes. This grouping evolved into Gallup International, a

WOULD YOU SAY THE PROSPECTS OF YOU RENEWING YOUR CONTRACT WITH THIS POLLING ORGANISATION WERE a)GOOD; B) FAIR; C) POOR?



kind of worldwide trade association. New members joined during the 1950s and 1960s, some with the Gallup name, others without. All this was, apparently, with Dr Gallup's

encouragement and approval, By the end of the 1980s, relations between the Gallup Organisation and Gallup International were deteriorating. Arguments about the registration and use of the Gallup name, particularly in the UK, became vitriolic by the early 1990s. In 1992, the Gallup Organisation left Gallup Inter-

Meanwhile, the Gallup Organisation had been buying companies overseas, and in May last year acquired 60 per cent of Gallup UK, much to the disappointment of Gallup International, which is London-based though registered in Switzerland. Until then, Gallup UK and Gallup International had shared premises and personnel

During the summer the US company acquired the remaining 40 per cent of Gallup UK. Gallup International has a rule

ECCHER BEAME that only one market research company in each country is allowed to belong to the association; the membership decided that the UK company, now USowned, should not remain in

the association and voted, instead, to admit Taylor Nelson AGB, the UK-quoted market research company. There is no question of Taylor Nelson changing its name to Gallup, but being part of Gallup Inter-national gives it access to the network of member companies around the world.

By September, the Gallup Organisation had issued a writ against Gallup International and Taylor Nelson, and tried to get an interim injunction to restrain them from using the Gallup name in the UK. It failed in the recent High Court hearing, but the matter is expected to go to a full hearing in the next few months, Ms James describes the

handful of previous Gallup v Gallup cases around the world as "bush fires", which have either been put out before they reached court or have resulted in inconclusive verdicts. The

UK case, she hopes, will indicate where the rights to the

While all this has been going on, the loss-making Gallup UK has been experiencing a period of turmoil and restructuring under its American ownership. Mr Robert Nielsen, the managing director brought in from the US after the acquisition, says the culture and tech-niques used by the UK opera-tion are being brought into line with the rest of the organisation worldwide, Gallup UK "technologically was not up to speed", and has since been linked by computer with the rest of the network. Gallup UK had lost contracts

to compile music charts. Mr Nielsen therefore decided to close down or sell to staff the charts side of the business, & which led to redundancies. However, computer games manufacturers, which had contracts with Gallup for the compilation of their charts, threatened legal action if the charts were not produced during the crucial pre-Christmas period. Charts staff have since been re-employed on temporary con-tracts. Mr Nielsen says a sale of the charts activities is now very close".

Two of the directors who sold their shares in the business to the US management are moving to other duties. with one reporting directly to the parent company and the other acting as a consultant on a number of special projects.

A former managing director, Mr Gordon Heald, started a rival market research company called the Opinion Research Business, Formerly a 40 per cent stakeholder in Gallup UK, Mr Heald says he has taken a substantial amount of Callwright. substantial amount of Gallup's

business with him.

Mr Nielsen of Gallup UK is confident that new contracts are in the pipeline and the restructuring and move of premises will mark a new beginning. The company has just won a contract measuring customer satisfaction for Citibank Europe in several Euro-

pean countries. But for several months ahead, at least, fellow pollsters are registering a "don't know" on how the family feud will

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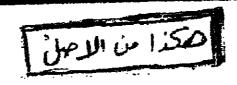
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Israeli security and the Golan

Middle East peace process by assassinating Israeli prime minis-ter Yitzhak Rabin has so far backfired: Israel has speeded up the handover of the main West Bank towns to the Palestinians, and both the Israelis and the Syrians have signalled their willingness to restart their peace talks, which all but collapsed in July.

Mr Rabin's successor, Shimon Peres, was yesterday due to dis-cuss ways of breaking the Israeli-Syrian deadlock with President Bill Clinton in Washington. It is to be hoped that what are billed as new Israeli proposals are realistic, and that Syria will respond positively. If the Israeli-Palestinian accord is and will remain the core of the Middle East peace process, it is no less true that the overall prospects for an enduring regional settlement depend on getting Syria into the peace camp.

This summer's talks between

the two sides, arranged by the US, were purely about the security arrangements to follow Israel's withdrawal from the Golan Heights, captured from Syria in 1967. Yet Israel has still not given the commitment Syria wants - to surrender all the Golan in exchange for open borders, full diplomatic relations, and regional co-operation.

Multi-track approach

Mr Peres is understood now to be thinking of a multi-track approach, whereby withdrawal, "normalisation" and security would be discussed simultaneously, in the hope that advances in any one area would help break ground in the others. This approach produced results in the successful peace negotiations with the Palestinians and with Jordan. But in those cases, as in this, great political determination was needed to get around the main difficulties on both sides. Sensitive US mediation will be essential. That is the task ahead of Mr Warren Christopher, US secretary of state, dispatched to the region by Mr Clinton, yesterday.

One problem is that Syria wants all its land back before "normaligiving up all of a strategic posi- incentives to start anew.

tion from which it can - literally keep an eye on Damascus. Both sides want iron-clad secu-

rity guarantees. The Syrians want equal depth of troop withdrawal from the Golan, whereas Israel says Syria, by far the larger country, should withdraw further. Israel also wants to keep an early warning station on the Golan after withdrawal. This demand caused the breakdown in July's talks. None of these issues is easy to resolve, especially because Israel worries about the sort of regime that might succeed Syrian presi-dent Hafez al-Assad, whose health has been in question.

Foreign presence

Yet Mr Peres' multi-track approach looks promising, with a number of provisos. Syria will want to hear what the Israeli pre-mier tells the Knesset on his return from Washington, and whether this amounts to the intention to withdraw fully from its land. Second, Syria is adamant that there will be no foreign presence of any sort on its soil, which means hopes that Israel might accept a US early warning station on the Golan are misplaced.

But the US can underwrite an eventual peace deal by offering both sides surveillance of troop movements from the air, and by offering to defend Israel in the event of Syrian attack - Mr Peres and Mr Clinton are expected to discuss the possibility of a formal US-Israel defence pact at the Washington talks. Yet Israel still needs to state publicly that it will return the Golan if its security

As a hopeful sign, the two countries were present at the EU's Bar-celona conference last month and both voted for the Euro-Med aid and trade programme, a strategy posited on peace. Syria's presence in Barcelona reflected its need to rejoin international markets and come in out of the diplomatic cold. But equally, if Mr Peres could get a peace with Syria, this would enable him to go into next October's Israeli elections greatly strengthened. He might even bring the polling date forward if a sation", whereas israel wants a - dreakthrough with Syria cam period of normal relations before early enough. Both sides have

No more nuclear power

likely to be built in the UK for a couple of decades, if ever. That is the essence of yesterday's announcement by British Energy. the company formed recently out of the most commercial bits of Nuclear Electric and Scottish Nuclear, which is now being groomed for privatisation.

British Energy is indisputably right that there is currently no economic case for new stations; indeed, the mystery is that its directors maintained the opposite position for so long. But conditions that would once again make nuclear power attractive are easily imaginable, and both British Energy and the government should ensure that the nuclear

option remains accessible. British Energy has decided to allow its planning consent for a new station at Hinkley to lapse, and not to apply for planning con-sent for another station at Sizewell. One reason for this step may be the desire to simplify the description of the company's prospects ahead of sale. But in doing so, it acknowledges that there is currently no commercial case for new nuclear stations.

(-150)

For years, the price of electricity in the UK has been declining, owing to the falling price of gas and the existence of spare capacity in power generation. Some argue that the present structure of the electricity industry, which stems partly from the government's previous, failed attempt to privatise nuclear power, has encouraged the building of too much capacity. As British Energy points out, there is currently no reason to build any power sta-tions. Whatever the truth of that, the liberalisation of the generating market means that nuclear will be judged against other fuels on commercial grounds, whenever new stations need to be built.

Future cash flow

That is a test it will fail for a long time. Sizewell B alone, which produces about an eighth of British Energy's output, cost more than £2bn. Yet investment houses expect the whole company to be sold for scarcely more than that sum, so low is the value of the expected future cash flow. True, the UK nuclear industry has kept tries is coming to an end.

construction costs unnecessarily high by repeatedly changing the design of power stations. But even though it has now settled on the Sizewell PWR design, British Energy estimates that the price of electricity in the wholesale market would have to rise by at least 16 per cent for a new nuclear station to pay its way. Even then, a gasfired station might still be a cheaper proposition.

Enthusiastic embrace

Three things could make nuclear power seem attractive once again. The first would be a rise in the price of gas, but that is not imminent. The second again, not in sight - would be a sharp fall in the cost of nuclear technology. That could occur through technological improve ments in other countries: Asia, in particular, is embracing nuclear power with enthusiasm. But one of the UK nuclear industry's favourite justifications for govern ment subsidy - that it was equip-ping the UK with world-class expertise and technology - has largely been disproved.

The third development that could restore the industry's fortunes is growing international concern about global warming, paradoxically, given many envi-ronmentalists' opposition to nuclear power. Global warming is thought to be caused by burning fossil fuels, such as coal and gas If governments take the threat seriously, then a carbon tax, to discourage the use of gas and coal is one tool close to hand. That would increase the appeal of nuclear power. Despite the extensive claims made by environmentalists for the potential of solar or wind power, nuclear power is at present the only credible alternative to fossil fuels.

For that reason alone, the government and generators should not rule out a return to nuclear power in making plans for decommissioning old stations and for storing radioactive waste - the most contentious issues to be settled ahead of privatisation. But provided that precaution is observed, yesterday's move is welcome. It means that support for uncompetitive producers in one of the UK's most important indus-



Paper dinosaurs refuse to fold

Despite the emergence of new electronic media, predictions of the imminent demise of US newspapers are greatly exaggerated, says Tony Jackson

hese are hard times for the US newspaper industry. Detroit's two daily newspapers have been embroiled in a vicious strike since the summer. Times Mirror, owner of The Los Angeles Times and a host of other publications, is sacking workers in their thousands. Several of its papers, including the respected and awardwinning New York Newsday, have

For the rest of the world's prethis might seem an omen. The US is the home of electronic media. In an on-line world, the printed newspa-per can seem painfully old-fashioned. Will America be the first society to witness its demise?

Perhaps, but not just yet. The industry's upheavals are mainly a response not to its future, but to a traumatic downturn in the early 1990s. The rest of the decade, analysts suggest, could bring a revival. Further ahead, the advent of electronic media might prove as much an opportunity as a threat.

D Of 1991-92 perhaps the worst in the industry's history – was "a wake up call", says Mr Miles Groves, chief economist at the Newspaper Association of America. Bear in mind, he says. that US newspapers typically depend on advertising for 75 per cent of their revenue – considerably above the international norm.

This makes the industry inherently cyclical, since advertising revenue fluctuates more with the economy than circulation revenue does. Also, newspapers' share of national advertising has been in decline since the mid-1970s. But in the booming 1980s, this was disguised by the fact that advertising was growing in relation to the economy as a whole.

In the recession of 1991, national advertising contracted and newspapers continued to lose share. The result was a 6 per cent drop in newspaper advertising revenue. which slashed profits at some big media groups and sent others into

By 1994, advertising was picking

up again. However, the cost of newsprint - the chief raw material - had started to double.

In response, publishers have been pushing up their cover prices - by an almost unprecedented 10 per cent this year, according to Veronis, Suhler, the New York investment bank and media specialist. Inevita-bly, this has dented circulation; and while the rise in newsprint prices is slowing, it may not be over yet.

Nevertheless, there is room for optimism. Mr Kevin Lavalla of Veronis, Suhler points out that next year brings both a presidential elec-tion and a US-staged Olympics, both of which are good for newspaper

Demographic trends are also favourable, with postwar baby boomers moving into their late 40s. In the US as elsewhere, newspaper reading has become a characteristic of the middle-aged and elderly.

As a result, Mr Lavalla predicts, the fall in US newspaper circulation should slow to 0.2 per cent a year from now until the end of the irea to u.6 b over the past five years. And advertising revenue should rise by almost 5 per cent a year, he says, compared to 1 per cent on average in the earlier period.

But if the next few years look healthy, what of the next century? The long-term trend, after all, is one of decline. Since its peak in the mid-1970s, daily newspaper circulation is down about 6 per cent, and the percentage of the population reading a daily paper is down from 73 per cent to 82 per cent.

At the same time, the number of

US cities supporting more than one newspaper has fallen from 94 in the late 1950s to 36 this year. The decline in daily sales is partly offset by a modest rise in Sunday sales. But given the industry's reliance on advertising, the dominant fact is that its share of the advertising cake has dropped from 30 per cent in the mid-1970s to 23 per cent

In this context, the advent of electronic media might seem doubly threatening. The communications revolution, we are assured, is having an impact on society equivalent to that of the Industrial Revolution. In a world of digital information, the physical newspaper is forecast to go the way of the parchment

Some observers of the US industry are less sure about that. Newspapers have survived the advent of radio, which made them a day out of date, and of television, which brought news to life with moving images. The newspaper format. despite its gradual decline, is

also has some technological advantages. As one US academic puts it, think of it in terms of a computer. It can be booted up instantly, simply by picking it off the doorstep. its pages can all be downloaded tantly with a flick of the wrist. It is light and portable, does not mind being dropped and does not need a nower source. Electronic media will challenge all that in time, but not

At the same time, electronic media are still chiefly limited to text. That too will change, but it arguably gives newspapers a headstart over competing media such as television. As Miles Groves of the newspaper association points out. some 150 US newspapers at the last count have web sites on the Inter-"Newspapers won't just stand

US newspaper circulation

Daily circulation (million)

back and watch the Internet," he says. "We'll be part of it." If newspapers could pull this off,

it would help to address their most fundamental problem: the fact that while their readers are enviably affluent, educated and middle-class. they are getting old and not being replaced in sufficient numbers. The Internet offers newspapers a chance to address a computer-literate younger generation. If they do not take advantage of it, they have only themselves to blame. This leaves open the question of

whether their product will take a physical or digital form. From the proprietors' viewpoint, this may not matter much. Either will do, given the crucial proviso - still hotly debated and unresolved - that they can charge as much for digital advertising.
From a journalist's viewpoint, the

physical versus digital argument is partly irrelevant as well. The physical newspaper will doubtless survive. But just as print journalism was radically changed by the dvent of radio and TV, so it will by the Internet. Just what forms journalism will

eventually assume cannot yet be predicted. However, some would say the changes are already under way. Professor James Carey of the Columbia School of Journalism points a strain of sensationalism what he calls "yellow journalism" ~ in both newspapers and TV. "The

last stage of vellow journalism in the US was at the turn of the contury," he says, "That was also when the industry was up for grabs."

Then, he argues, newspapers were being transformed by the advent of the high-speed press which made mass circulation possible - and the emergence of mass advertisers in the form of the new retail chains. Now, he says, "the disorder in the communications industry generally means no-one knows where they're going. That very instability has driven the industry into a sensationalist

Prof Carey does not expect this phase to last. First, the audience tires of new sensations fairly rapidly. Second, the process of upheaval in communications will not last for ever. "But there's a media ecology as all these things adjust to one another," he says. "You get all kinds of funny hybrids as the process goes through. When stability returns, be

expects newspapers to remain a signincant part of the system. In part he says, this is because their readers mostly belong to local communities, and newspapers play a part in holding those communities together. "As long as newspapers remain anchored in that tradition. they will play an important role even if it's smaller and more elite." For the rest of the world's press, however, this suggests that the US model may be of limited relevance. In a country with 240m inhabitants, the US press is astonishingly frag-mented. Of its 1,500-odd dailies. 1,300 have circulations of less than 50,000, and only four - the Wall Street Journal, USA Today, the New York Times and the Los Angeles Times - have more than

In other countries where newspaper circulations are bigger in proportion to the population, the battle of the media will doubtless play out differently. But the general principle seems clear: the printed newspaper - inky, quirky and a day behind with the news - is not dead

OBSERVER

Don't get too wound up

R's later than you think. The Doomsday Clock, which appears each month on the cover of that action-packed publication Bulletin of Atomic Scientists, was reset times minutes closer to midnight at the weekend, as experts darkened their view of how close the earth is to all out nuclear war.

The clock was last reset in 1991, when the cold war ended and editors of the University of Chicago based Bulletin demonstrated their optimism by setting the clock at 17 minutes to midnight – its farthest point from nuclear holocaust in the publication's history. The clock has een as close as two minutes to midnight, at the height of the

muclear arms race in 1984. Why have we all moved closer to Armageddon? The expert view is that while superpower conflicts are less likely to trigger a nuclear war, regional struggles and an abundance of loose plutonium could lead to nuclear terrorism.

As he reset the Doomsday Clock last Friday, Leonard Rieser, board chairman of the Bulletin, noted that Russia and the US still own more than 35,000 nuclear weapons, with the Russian gear under less than ideal security. There are ample global stockpiles of uranium and plotonium. And, added a gloomy Rieser, no new arms

reduction treaties are in the works and neither the US or Russia has signed the Start II arms reduction

Heigh-ho

■ Will Günter Rexrodt, Germany's economics minister, hang on to his job, after all? A few days ago it seemed Rexrodt faced the chop on Thursday, when the Free Democrat party will discuss which of its leading lights should join Chancellor Helmut Kohl's cabinet. Now Wolfgang Gerhardt, FDP chairman, reckons that a vote of confidence – given to Recrodt last week – should last Mind you, there are contrary

signs. After all, Rexrodt is conspicuously absent from the cartoon illustrating this year's FDP Christmas card. It shows a gang of four FDP notables scaling a cliff. Last year, Rexrodt was one of the happy band...

Yellow ribbon time ■ Word is that Stuart Eizenstat,

US ambassador to the EU. is about to return to Washington to become under-secretary of commerce. It would be a natural switch. A methodical operator with an almost touching faith in the inevitability of closer European integration, he's made many friends in Brussels, where he recently wrapped up the

transatlantic accord on closer political, trade and economic ties between the US and EU.

Colleagues at the Commerce Department will notice a change in style between Eizenstat and his irrepressible predecessor Jeffrey Garten, who combined a flair for big ideas with a healthy appetite for self-publicity. A former White House domestic policy chief under Jimmy Carter, Eizenstat is a trade lawyer by temperament and training. His encyclopaedic knowledge of domestic politics and Congress could prove useful to the administration in a presidential election year. And if Ron Brown steps down as commerce secretary next year, who knows - maybe Eizenstat could land the top job.

Lo point reached ■ T S Lo, the Balliol-educated lawver with aspirations to become

Hong Kong's first post-colonial governor, has always enjoyed good fortune. But his latest stroke of luck - exchanging his UK passport for a Chinese one - has embroiled him in a row. After the 1997 handover. Chinese in Hong Kong will get a Chinese passport bearing the words "special administrative region of Hong Kong".

Yet when Lo was a loyal servant of the UK - he was a member of the governor's Executive Council. or cabinet - he stoutly advocated British passnorts for Chinese horn under the UK flag. So outraged was

he at the 1984 Joint Declaration, which sealed Hong Kong's fate. that he resigned from government. Times, of course, change.

Hard cheese

If you're going to a contract signing at Greece's industry ministry, take a packed lunch. The advice comes from Biomagn, a Greek company which has been negotiating to pay Dr1.35bn (\$5m) for Skalistiri, a mining concern put up for sale under the ministry's privatisation programme. The Biomagn team turned up at

10am on Wednesday, intending to sign on the dotted line and leave. They had forgotten the ministry lawyers' reputation for splitting hairs. They departed - exhausted at 8pm, with the job only half-done; though signed, the contract still requires parliamentary ratification. Better make that several packed

What a cracker ■ Good and bad news on the

French yuletide front. The good is that Father Christmas and his 40 secretarial assistants in the post office are busily responding to letters from hopeful children. The bad is that, thanks to strikes by other postal workers, many replies won't arrive it in time for Christmas, It's the thought that

Financial Times

100 years ago Angio-Argentine Bank

The Chairman, in moving adoption of the report, said their business in Buenos Avres was improving. The accounts presented would have been far better but for a heavy bad debt incurred in Monte Video through the failure of a well-known firm. They had purchased new freehold premises in Buenos Ayres from the Baring trustees for £27,500, their former premises being altogether unsuitable, and. so far as could be seen, they had made a good purchase. This would reduce their expenses by \$500 a year now paid for rent. 50 years ago

Tin position in Malaya Some idea of the task confronting the tin industry in Malaya in its efforts to repair the material damage caused during the Japanese occupation is revealed by the publication of the first authentic news from the Tin Inspection Committee operating on behalf of the Malaya Chamber of Mines. Of the 126 dredges inspected, the statement reveals that even by August next year only about one-third are expected to be in operation. The industry has a clear claim for compensation for damage occasioned by "scorched-earth" policy or direct



FINANCIAL TIMES

Tuesday December 12 1995



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Agreement initially aimed at German cable market

Consortium strikes deal for TV 'set-top' decoders

By Michael Lindemann in Bonn and Emma Tucker in Brussels

A group of leading German and French companies yesterday agreed on a standard for "set-top boxes", which decode television signals to allow telebanking, home learning and shopping, video on demand and other interactive TV services.

Multimedia Betriebsgesellschaft (MMBG), a consortium which includes Deutsche Telekom, Veba and Bertelsmann of Germany and the French media group Canal Plus, said the agreement was initially aimed at Germany, Europe's biggest cable and satellite television market, but had implications beyond that.

The deal ended months of secretive wrangling. "We are well on the way to creating a European standard for interactive television," said an executive from one of the shareholder companies. Apart from Germany,

But it remained unclear last night whether the European approve the new venture, which would dominate the German market and have significant repercussions for the development of interactive television throughout Europe. Officials in Brussels said they expected more information about the new venture shortly. Last year, Mr Karel Van Miert, the competition commissioner, rejected a similar attempt by utsche Telekom, Bertel and the German media group

KirchGruppe to create a standard for set-top boxes, arguing that it would dominate the German, and by extension. European market. Since then, some of the biggest names in the German telecommunications and media industries have been arguing over how to construct a new consortium. The deal they have reached is a

setback for Mr Leo Kirch, the

Gruppe, which controls several German television channels. He has launched a set-top box and Commission was likely to recently said he would produce Im to corner the German market. He has now agreed to pool his set-top box technology with MMBG. Veba. the energy-based con-

glomerate which is Germany's

iggest private cable television company, yesterday indicated it hoped to take a 25.1 per cent blocking minority stake in MMBG and that together with eutsche Telekom it would control 51 per cent of MMBG. Standards for interactive television in Europe are being defined by Digital Video Broadcasting (DVB), an industry group comprising 180 European broadcasters, manufacturers, telecoms operators and regulators. It includes the members of the MMBG consortium and is chaired

by Mr Peter Kahl, head of multi-

Social Democrats widen lead

By Eric Frey In Vienna

Austria's voters vesterday appeared set to decide against a feared sharp turn to the right as the final opinion poll to be published before Sunday's parliamentary elections suggested a firming of support for the Social Democratic

The survey, published by the weekly Profil, showed the Social Democrats widening their lead, with 34-36 per cent, against 26-28 per cent for the conservative People's party and 23-25 per cent for the rightwing Freedom party of

Such an outcome, which would give Mr Franz Vranitzky another term as chancellor, would be a setback for Mr Wolfgang Schüssel, the People's Party leader. who forced the elections by withdrawing from the coalition with the Social Democrats.

The Social Democrats have run a lacklustre campaign but appear

to have held on to their core constituency of older and lower-income voters by promising to pre-serve most social welfare programmes. They have also appealed to moderate voters by high-lighting the possibility of a rightwing coalition of Mr Schüssel

Mr Schüssel left the coalition in October when Mr Vranitzky rejected proposals for sharp cuts in social spending which Mr Schüssel said were necessary to bring the country's budget deficit in line with the convergence criteria for European monetary

The Social Democrats have also managed to win back some voters who deserted them for the Greens at the last election. The Profil poll showed support for the Greens continuing to fall from nearly 10 per cent last month to

This puts them on a par with the centre-left Liberal Forum,

as Austria prepares for polls sober eloquence of its leader, Ms Heide Schmidt. The Green leader,

Ms Madeleine Petrovic, has been

disappointing in television

Mr Vranitzky has said he would prefer to revive the nineyear-old coalition with the People's Party after the election, but to include one of the smaller par-ties, most likely the Liberals.

Mr Schüssel has set the agenda for most of the campaign and has come across best in television debates. Even if he only gains second place, he might still have the option to form a coalition with the Freedom party or set up a minority government with parliamentary support from Mr Haider on some specific issues.

But such an arrangement looks less likely after Mr Haider sharply criticised Mr Schüssel's austerity programme.

Survey, separate section

Juppé offer

Continued from Page 1

year of about L2,000bn (\$1,26bn).

least one decree before Christcent levy on most income from

(\$51.3bn) accumulated debt. The proportion of civil servants on strike yesterday fell to 11 per cent, down from 19 per cent last Friday and 31 per cent during last Thursday's big nationwide demonstrations. But the number of strikers is set to rise again Paris called by the CGT and FO.

| UK drops plans for two more N-power projects

Europe's nuclear energy industry suffered a big reverse yesterday when British Energy, the new state-owned nuclear company scheduled for privatisation, dropped plans to build new power stations as uneconomic.

The decision – in the country

which pioneered the commercial use of atomic energy - underlined the gloomy outlook for the nuclear industry in western industrialised nations.

Apart from France, no nuclear capacity is being built or is in prospect. Since the accident at the Chernobyl nuclear plant in Ukraine nearly 10 years ago, nuclear construction has largely shifted to developing countries in the Far Rast, and Japan.

Yesterday's decision was immediately hailed by environmentalists as marking the death of nuclear power in the UK, although energy industry work-ers said it would be disastrous for the country's long-term energy

Nuclear equipment suppliers will be disappointed by the decision, but are unlikely to be surprised.

The first commercial nuclear power station, Calder Hall in north-west England, was opened nearly 40 years ago.

Nuclear power now supplies about one third of all Britain's electricity. However, Britain's gas-cooled technology ran into problems, and began to lose out to the US water-cooled version.

Earlier this year, the govern-ment decided after a lengthy review to privatise the more modern part of the industry which comprises seven gas-cooled stations and one pressurised water

The remaining older magnox stations will remain in state hands and will be managed by British Nuclear Fuels.

Financial analysts said BE's decision not to build the two stations - in western England and in East Anglia - would probably aid the sell-off, which is expected to raise between \$2bn and \$3bn. Everyone knew that new nuclear plant was uneconsaid one analyst. "But this

removes the uncertainty." BE said the two projects were tricity prices and a surplus of nower generation capacity. Howexisting nuclear plants were operating economically and that it was still preparing for privatisation next year.

It said it had decided not to use the planning consent it had received for a third station at Hinckley Point in western England.

Delight at decision, Page 14

THE LEX COLUMN

Microsoft's underbelly

The Internet is proving the great leveller of the computer industry. Last week it even brought Microsoft down from its pedestal when Mr Bill Gates, the group's founder, was forced to embrace the Internet, reversing a previous stance belittling its importance. It is also adopting open standards rather than seeking to impose its own proprietary ones.

Microsoft's U-turn represents a climbdown. Much of its commercial success has been built on exploiting its dominance of personal computer operating systems. In the fast-expanding world of networked computing, Mr tes will be competing on a level playing field rather than one he owns. By embracing open standards, Microsoft has avoided the risk that it could be shut out of the Internet. Mr Gates has thus not succembed to the fossilisation that has afflicted so many high-tech pioneers. But this should not disguise the fact that the Internet still noses threats to his business

The biggest threat comes from Sun Microsystem's Java programming lan-guage, which Microsoft will use in its Internet products. Java's essential feature is that it is "platform-indepen-dent" – meaning that programmes written in it can run on any PC operating system, not just Microsoft's dom-inant Windows programme. As Java takes off, Microsoft could lose its edge in developing software applications.

The Internet also allows rivals into Microsoft's applications business by reducing the barriers to entry. As software is increasingly sold over the Internet, developers will no longer need the expensive marketing and disribution apparatus essential for sellng shrink-wrapped software. Som software is already given away free on the Internet. If the practice becomes widespread, Microsoft's fat margins

could be savaged.

Another threat comes from internet appliances. Such appliances - cheap, stripped-down computers dedicated to roaming the Internet – do not yet exist. Moreover, claims by Microsoft rivals that they could replace the PC are propaganda. Nevertheless, it ispossible that such appliances will take away some of the growth the PC market would have otherwise enjoyed. And since they would need new types of software, that could crimp Microsoft's growth too.

Still, Microsoft's vulnerability is no reason for its competitors to crow. Its masi-monopoly may be under threat but it will still be a formidable rival. Indeed, in adopting open standards, FT-SE Eurotrack 200: Sheet prices relative to the SEP Companies

Mr Gates is better positioned to challenge the monopoly niches of others. Netscape, for example, which dominates the internet browser market. will be more vulnerable to Microsoft's own browser when that is adapted to use Java. Microsoft will still enjoy benefits - notably its brand name, sheer marketing muscle and lingering advantages due to its dominance-of the PC market. With barriers to entry falling, though, creative brilliance will also take on a greater premium - an area where Microsoft has not been ter-

ribly strong The internet's exponential growth rate will undoubtedly produce profits for many. But faunopoly profits are unlikely to last for long. The main result of Microsoft's move to embrace the Internet is likely to be more competition all round.

Usinor Sacilor

It might be more comfortable to blame yesterday's profits warning from Usinor Sacilor on the strikes which have crippled the French trans-port system. Although they have compounded the difficulties facing the recently privatised French steel company, they are not the main cause. The company had already cut production due to destocking. Lower profits in the second half - traditionally the weaker period - than in the first half. of 1995 should not come as a shock.

The snag is that the process of destocking is likely to persist into next year. Further, growth is set to plunge in France and is sluggish elsewhere in Europe. Demand for steel is slack. The prospect of lower profits in 1996 than

Usinor's share price. Even if profits do fall next year, the shares are still valued at only around four times earnings. Furthermore, Usinor, like most other steel companies, is going into the next downturn with a stronger balance sheet. It expects to have paid off its debt by 1997. Since steel companies typically lose money at the bottom of the cycle, a cash cushion is a distinct advantage. The danger is that earnings will tall before that can be achieved. A collapse in steel prices may well be averted in the coming cyclical down more commercial. But even Usinor's already depressed share price will have frouble shrugging off a stream of had news.

Nuclear privatisation

British Energy's burial of its plans to build new nuclear power stations simply recognises reality. New sta-tions would almost certainly have lost money, with no government subsidy for them, and privatisation pencilled ambitions had to be abandoned sooner or later. But by unexpectedly also rul-ing out investment in UK non-nuclear generation for the time being, BE's statement raises a big question for potential investors; where is growth going to come from?

The record of UK utility privatisations suggests they need not worry. In past sales, shareholders have seen dramatic growth in returns – but this had nothing to do with the top line; it stemmed partly from cost-cutting and partly from underpricing at the time of privatisation. Precisely the same factors are very likely to apply to BE. With many investors irrationally jittery about the nuclear industry, the sale is bound to be a bargain.

Although the scope for efficiency gains is limited by high fixed costs, tight margins mean profits will benefi disproportionately from even modest efficiency improvements. And the fact that profits are just as sensitive to movements in electricity prices is more likely to help BE than barm it, since BE tends to charge significantly less for electricity than other genera-tors. When this discrepancy unravels with the end of the generators' main contracts in 1998, it is National Power and PowerGen, rather than BE, whose margins will be hit.

> Additional Lex comment on Allied Domecq, Page 24

Without us, trains to Lantau wouldn't have the right connections.

Hong Kong's Mass Transit Railway Corporation needed special intercarriage gangway assemblies for its planned 34 kilometre rail service linking Central and Kowloon with North Lantau and the new Chek Lap Kok Airport. The gangways had to meet rigorous performance and life-cycle parameters plus stringent fire specifications.

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this year, up from \$23bn in 1994. A shortage of Drams, caused by the rising demands of the personal computer industry, is keeping prices high and making the

Continued from Page 1

Samsung

International Electronic Device

Samsung has overtaken Japanese and US competitors to become the world's leading producer of Drams, which are essential components of all types of computers. Worldwide Dram sales are expected to top \$30bn

Europe today

High pressure over the Atlantic to the south of iceland will result in mainly dry conditions for

patchy cloud and sunny spells in the afternoon. The cloud will linger in the southeast and will be accompanied by showers. Northern France will be cloudy, white southern France will have plenty of sunshine. The

south-west Iberian peninsula will have persistent rain. Italy and the south-eastern corner of the Mediterranean will have

showers. Greece and western Turkey will be mainly sunny. There will be snow showers from Poland across to Austria and as far south as Serbia. High pressure over southern

Scandinavia will result in dry conditions. There will be patchy tog in the morning and

The UK will have strong, easterly winds over the next couple of days, and there will be

sleet and snow on higher ground. A low near Genoe will produce heavy rain from Slovakia

to Greece on Wednesday. Another developing low will cause widespread rain on the Iberian

Continued from Page 1

Fiat boss

affected by a heart bypass operation earlier this year in New York. This was understood to be his third heart-related operation. A decision on the Turin magis trates' trial request is expected shortly.

But previously Rome judicial authorities had dismissed a different case based on similar charges related to the construction of the capital's underground

January 1 to pay off the social security fund's FFr250bn

FT WEATHER GU

peninsula on Friday, spreading to France later in the week. Russia will continue settled.

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FINANCIAL TIMES SURVEY

AUSTRIA

Premier league place at stake

EU membership has put new strains on a society already struggling to cope with the liberalising forces of the past decade. Elections soon will, however, offer voters a clear choice, says Ian Rodger

ustria, one of the most successful and peaceful countries in Europe in the past decade, has suddenly got itself into a bit of a muddle. Its very generous social security programmes are driving public spending out of control, threatening both the stability of the schilling and the country's chances of qualifying for European monetary union membership in 1998.

At the same time, its peculiar political institutions and practices, which have worked so well in the past to solve tough problems, seem to have lost their effectiveness.

It took the squabbling coalition government four months to agree a 1995 budget, and the coalition collapsed in October because of differences over the 1996 budget, forcing a second general election in 14 months. Meanwhile, repeated letter bomb campaigns against immigrants and those who support them have again raised fears that not all Austrians are willing to resolve their differences by democratic means.

Few doubt that the country, which joined the European Union in January 1995, is approaching an historic turn-ing point - "the issue is whether we are going to be in the European premier league or relegated to the eastern Danube regional division," says Mr Helmut Kramer, director of the Austrian Institute for

Economic Studies (Wifo). The seriousness of the situation appears to be widely recognised by ordinary Aushaving to vote so soon after the last election, they are paying close attention to the current campaign. A record 1.5m viewers, nearly a fifth of the population, watched a television debate between two political party leaders three weeks

And for once, the political parties are offering the voters

clear alternatives.
The Social Democratic Party. which has dominated the government for a quarter of a century, is campaigning for the preservation of hard won social entitlements and promising that any reforms will be

The conservative People's Party, junior partner in the coalition, is calling for substantial cuts in some social programmes and for a freeze on public sector hiring.

Close behind them both, the populist Mr Jörg Haider, leader of the right wing Freedom party, continues to appeal to large audiences with his attacks on immigration and on alleged abuses of power by both ruling parties. Whatever form the new government takes, the unpredictable Mr Haider is likely to have a significant influence.

The latest opinion polls suggest that no party will win a decisive victory in next Sunday's general elections. although the unprecedently high proportion of undecided or undeclared voters, over 40 per cent, adds a big element of uncertainty.

It is largely, but not entirely, trians. Although annoyed at coincidental that this convul-



sion in Austrian public life is

taking place only months after the country joined the EU. EU membership has contributed substantially to the federal budget deficit in spite of rash promises by the coalition parties a year ago that it would not. And it has forced open some protected markets, bringing bankruptcies and insecu-

rity to many small towns. But the real malaise is in the two ruling political parties and the powerful chambers of commerce, agriculture and labour

which have run the country throughout the postwar period. These bodies are having immense difficulties maintain-

ing internal cohesion in the face of the liberalising forces that have gathered pace in the past decade, especially since the lifting of the iron curtain For example, some groups of

businesses and workers have profited by the opportunities presented by the opening of neighbouring eastern European markets, while others feel threatened by them. The chambers and trade unions can no longer resolve stark differences like these among their members and so are losing credibil-

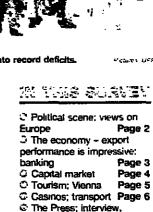
One disturbing symptom of the malaise is the growing willingness of highly placed officials to leak even the most sensitive documents to the media if they disagree with what is going on. In the past few months, there have been leaks of a leading bank's boardroom minutes, of a loan contract newspaper and of a privatisation contract between the government and a bank.

Private sector companies have now become uneasy about passing on sensitive documents to the government or to the government controlled banks.

As Mr Ferdinand Lacina, the former finance minister points out, the weakened chambers and trade unions have also become increasingly unwilling to accept government calls to co-operate in restraining spending. On the contrary, their tendency has been to demand ever more services, in a desperate attempt to demonstrate their continuing useful-

ness to their members. Thus, in the early 1990s. when the economy was growing strongly, they backed a whole new series of generous social measures - a second year of paid maternity leave for women, three years' free

Continued on next page



Otto von Habsburg:

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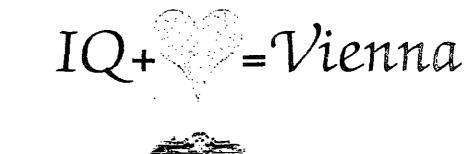
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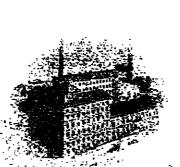
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VIENNA BUSINESS PROMOTION FUND

New force breaks cosy duopoly

The rightwing Freedom Party is challenging the political establishment

Two months ago observers of Austrian politics were sure that nothing would ever change. Since the ruling coalition government collapsed in October, paving the way for new elections on December 17 the same people have predicted that nothing will ever be the

The Social Democratic Party and the conservative People's Party fell out over the 1996 budget. This ended a coalition that had ruled the country for nine years. It also seemed likely to end a 25-year period of Social Democrat predominance in Austrian politics. The party has governed Austria alone or with a partner without interruption since 1970.

The collapse of the coalition may mark the end of 50 years of political stability and consensus policy-making.

Austria has been governed by a duopoly of the two main parties since the end of the second world war. Until the 1991 election they together always took more than 90 per cent of all votes cast.

The first formal coalition between the Social Democrats and the People's Party ended in 1966. After this even when one party ruled alone, it followed a strict formula of sharing power and job patronage with the other, called Proporz.

Relations between trade unions, aligned with the Social Democrats, and employer associations, sympathetic to the People's Party, followed a similar pattern. They always co-operated closely in the so-called social partnership, avoiding labour disputes and creating steady economic growth.

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industries in these neighbouring countries.

federal state.

The first strains in this system appeared in the early 1980s when growing ecological concerns created a new party, the Greens. The real turning point came in 1986, when a charismatic young politician from the southern province of Carinthia. Mr Jörg Haider, took over the languishing Freedom Party and turned it into a powerful



ration by 13,000 farmers in Vienna recently, backing the demand for sustained farm subsidies as ed in the European treaty

Mr Haider is the most talented and successful of the new breed of right-wing populists who have shaken up European politics since the end of the Cold War. His recipe mixes foreigner-bashing with attacks on the all-encompassing

patronage system. Mr Haider, the party chairman, scores points with voters by criticising excessive salaries and privileges in powerful national institutions from the Chamber of Labour, to which all employees have to belong, to the central bank, an extremely comfortable resting place for old politicians.

These tactics have boosted his party's share of the vote from 4 per cent in 1986 to 22.5 per cent in last year's elec-tions. But he has always seemed too extremist and unpredictable to serve as a serious political partner to one of the main parties.

On more than one occasion. Mr Haider has spoken favourably of Nazi policies and used terminology echoing that of the Third Reich. A government role for Mr Haider in the country where Adolf Hitler was born would drive Austria into international isolation and hurt its economy, many observers fear.

Mr Haider's rise has pushed the Social Democrats under Mr Franz Vranitzky, a former banker, closer to the People's

This has turned the Freedom Party into the strongest opposi-tion force and given Mr Haider a platform from which to contimue his attacks on the estab

in June 1994, the coalition enjoyed its last success when Austrians voted by a majority of two-thirds to join the European Union. Mr Haider, who opposed European Union membership, turned the tables four months later when both the ruling parties lost votes at the polls and with them their twothirds reajority in parliament.

The two parties kept the coalition alive, but bickered increasingly openly on most issues, especially on the difficult deficit reduction negotia-

New leader

The People's Party was the first to move, electing a new leader, Mr Wolfgang Schüssel, in April. Within weeks it became clear that Mr Schüssel was looking for an opportunity to break out of the increasingly unpopular partnership.

This chance arose in the autumn when the two parties failed to agree on the 1996 budget. By forcing new elections Mr Schüssel is gambling that voters will reward his tough stand on social spending.

Mr Schüssel has been a steadfast supporter of the grand coalition and the Proporz system for many years. But in the election campaign he has presented himself as an agent of change who can deliver what Mr Haider prom-

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PROPOSED TO THE STRIVIAL GENERAL MESTING IN SIAS 25 DIRECTION AS 2 HORSE

differ little on basic economic Mr Schüssel would probably

Ironically the Social Demo-

crats have been playing the

conservative role, defending

the welfare state and attacking

Mr Schüssel for introducing

uncertainty into a placid sys-

After nine years at the belm.

Mr Vranitzky of the Social

Democrats looks tired and vul-

nerable, but he may score

points with an electorate afraid

of both Mr Haider and of pain-

ful cuts in the social programs.

elections, warnings of continu-

ing instability are likely to

come true. A majority govern-

ment may be an impossibility.

The two traditional parties are

too at odds on key issues of

economic policy to be recon-

Mr Schüssel has said that he

would welcome the Social

Democrats back into a govern-

ing coalition if he wins the

election. Many Social Demo-

crats would prefer to go into

opposition if, as expected, their

party suffers further electoral

coalition with Mr Haider are

still as strong as ever. Mr Schüssel has been at pains to

avoid any speculation of this

If the People's Party wins, it

may have no choice but to

form a minority government. It

could probably gain the sup-port of the Freedom Party on

the budget, for the two parties

kind during the campaign.

The arguments against a

Whatever the outcome of the

This could be a workable system for a year or two and seems to many preferable to any other arrangement. The Social Democrats would have a hard time finding a partner even if they manage to defend their status as the strongest party.

People's Party leaders pelieve their sharp decline in the past decade is partly due to being overshadowed as the iunior partner in the coalition. They do not want to continue in that role.

The most attractive option for the Social Democrats would be a coalition with the left-wing Greens and the Liberal Forum, a small new party formed by defectors from the Freedom Party. But these three parties are unlikely to gain enough seats to establish a majority government.

In case of a stalemate, Mr Thomas Klestil, the federal president, would enter the political spotlight. The conservative former diplomat does not like the Freedom Party, but might adopt Mr Haider's proposal to form a cabinet of

experts. Mr Klestil has been frustrated by his office's lack of power and would enjoy the role of government builder.

Schilling could come under pressure after the elections

Continued from previous page

pension rights per child for women and expanded free care services for the aged. As a result, the cost of the government's social transfers soared from Sch94.1bn in 1990 to Sch149.7bn last year with the annual growth rate now three times the level in the late

Public sector salaries have been growing at 7.8 per cent annually in the five years to 1994, compared with a nominal GDP growth rate of 5.5 per cent, and are now ahead of private sector salaries at many

The public sector deficit, trend up until 1993, is likely to reach 5.4 per cent of GDP this year, well above the 3 per cent level needed for EMU entry.

The situation is by no means as dire as that in some other European countries but Austria lives and works on a very high standard, with its currency pegged to the D-mark for nearly 20 years.

Swift action will be needed

Whoever emerges victorious from next Sunday's elections will have to move quickly to produce a budget that will demonstrably reverse the negative public sector spending trends.

So far, anxiety about the government's finances has shown up only in the stock market. The ATX index of leading shares lost 10 per cent of its value from late September. when the budget crisis became acute, to the middle of November. After the elections, it could be the turn of the schilling to come under pressure if investors suspect that government borrowing will continue

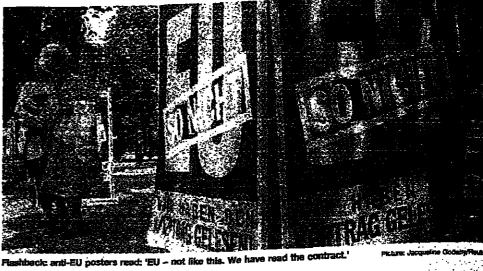
It would be sad indeed if the country's political leaders do not rise to the current challenges. Austria's economy is fundamentally one of the strongest in Europe. And the stability and high productivity of the labour force has made the country an increasingly popular location for industrial investment by multinational companies.

Austria has come a long way since the early 1980s when the state still dominated virtually every aspect of economic activ

The rationalisation and privatisation of the many businesses making up the old Voest-Alpine steel and engineering combine have been great successes by any standard, uncovering profitable assets and entrepreneurial and management talent that few knew existed.

There is still much to be done - from privatisation of the leading banks to introducing competition in broadcasting and telecommunications and loosening the tight restrictions on shop opening hours before Austria could be called a truly liberal democracy.

But there is no need or excuse for it to retreat into any second division.



E EU membership: by Eric Frey

Business benefits as politicians struggle

Commerce has avoided the headaches suffered by statesmen and consumers

Joining the European Union in January of this year has turned a nation of Europhiles into Europhobes.

A year and a half after the June 1994 referendum, when 66 per cent of Austrians voted to join the EU, the majority for Europe has disappeared. Surveys show that if the vote were to take place anew, 47 per cent would say No to the EU and only 40 per cent would support membership; 57 per cent of those surveyed said they were disappointed by the union and saw more disadvantages than advantages in membership. Business and political lead-

ers insist that the mood is better than these figures indicate. Many Austrians complain about Brussels and the government's EU policies, but only a fifth of the electorate actually wants to withdraw from the

Even Mr Jörg Haider, chairman of the Freedom Party and the leading Eurosceptic in politics, is not threatening to take Austria out of the union if his party comes to power. He merely renegotiate the financial terms of membership. While the result of the 1994

referendum may bave overstated support for the EU current polls probably understate it. A majority of Austrians approve of further integration in principle, while insisting on the right to opt out of any common policy they do not like.

They regard proposals for closer integration - like monetary union and a joint foreign policy - with scepticism.

The ambivalent attitudes of Austrians to the EU should not come as a surprise. They have felt the costs of membership sharply: Austria's Sch50bn (£3.2bn) contribution to the EU budget this year forced the government to cut domestic spending and triggered the budget crisis that brought down the coalition government last month.

Farmers saw prices for their products drop 30 per cent and more on January 1. Shopkeepers lost thousands of custom ers who drove to Germany and Italy to take advantage of open borders and lower prices.

It took much longer for conmers to see the advantages of EU membership promised by the government before the 1904 referendum. Prices were slow to fall at first. EU funds for regional development are still

stuck in the administrative pipeline. And the payout of farmer compensation was delayed for ten months because of political squabbles.

Business leaders are better pleased as the first year of membership nears its end. Consumer prices began to fall across the board in the summer, helping to push the inflation rate to a six-year low of 2.2 per cent. Some car prices dropped by 20 per cent, and average supermarket prices fell 10 per cent, according to Mr Johann Farnleitner, deputy secretary general of the Federal Economic Chamber

The decrease was sharper than expected and caused an unexpected shortfall in federal tax revenues, he adds. Ironically, this has exacerbated the budget crisis and added to disillusionment about the EU.

Investment

New investment has been pouring into the country. Exports have risen sharply as small and medium-sized companies discovered the larger European market. Mr Farnleitner says: "I have been in this business for 30 years, and I have never seen as much investment interest in Austria as now.

Many European companies are moving their headquarters for central eastern Europe to Vienna. Some Swiss firms are shifting production facilities across the border to Austria to take advantage of the single market of which Switzerland is not itself a member.

The textile and machinery industry is benefiting from the elimination of import duty cumulation, which had subjected Austrian products sent to eastern Europe for processing to EU tariffs on their

In the food sector big national dairy groups are being forced to merge and cut capacity by half. Subsidiaries of multinational food groups are also shedding jobs. Some are even thinking of closing down their Austrian plants because they can supply the small Austrian market more efficiently from other European countries. The most prominent example is Eskimo/Igloo, the frozen-food unit of Unilever, which shutting an operation in Lower Austria.

Small Austrian producers, such as the jam producer Darbo, are making up for this by stepping up exports to Germany. Italy and other EU coun-

The variety of foreign producis on Austrian supermarket shelves has increased too. But iar national brands. "Austriane remain patriotic consumers". Mr Farnleitner says.

Companies have seemed more adept at taking advantage of of EU membership than the government. The consensus between the Social Democrats and the conservative People's Party that helped membership negotiations succeed broke down after the referendum. EU issues became a battlefield for competing interests and jealousies. There is no central co-ordinating body for European policy. The foreign ministry and the chancellor's office fight over who sets the

Ministers representing Austria in Brussels are handicapped by laws that force them to seek approval from the Austrian parliament before casting a vote in the Council of Minis-

In the first ten months of EU membership, Austria has been most vocal on environmental causes such as the harmonisation of animal transport regulations, truck size limits and French nuclear testing, which it opposed.

More than once the country was on the losing side. Critics say that Austrian politicians and diplomats still have to learn how to influence EU policy at the early stages.

EU membership has speeded up the process of liberalisation and deregulation in the domestic economy. This will boost productivity in the long run but cause pain in some sectors in the process. The blooted retail industry is undergoing a rapid transformation, sparked off by the collapse of the Kon sum supermarket chain in Feb-

Indicators

In another sign of change, employers and unions agreed to keep shops open for the first time on December 8, a Catholic holiday in the middle of the Christmas season. In previous years, thousands of shoppers went to neighbouring conntries that day, depriving Austrian stores of huge revenues.

Financial services will be hit hard by European competition. The banking sector is being shaken by the entry of new participants. Pressure is increasing to privatise the remaining institutions still in state hands

The insurance sector, which is dominated by four large companies, has become more efficient in recent years. But it will have to increase its competitiveness if it is to fend off strong foreign insurers.



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FINANCIAL TIMES TUESDAY DECEMBER 12 1995

AUSTRIA 3

Economic outlook: by lan Rodger Export performance is impressive

The near-term outlook for the economy is unclear because of the political turmoil, but it is at best dull

The Austrian economy would be in reasonably good form, were it not for the weakness of the public sector.

Overall real GDP growth is slowing slightly from last year's 2.7 per cent to perhaps 2.5 per cent this year and is likely to ease somewhat further next year. But export performance has been extraordinarily good, inflation is under control and the adjustment to membership in the European Union has been surprisingly

The problem of the public sector is a familiar one in industrialised countries. Rising deficits caused mainly by burgeoning welfare budgets are bringing with them the threat of interest rate rises which would undermine economic

growth. In Austria, this has suddenly become a very acute problem because investors worry that the current political disarray will make it very difficult for the national government to take the measures necessary to curb its deficit, now running at over 5 per cent of GDP.

Moreover, provincial and local governments, which have traditionally provided sur-

■ Banking: by Ian Rodger

pluses to soften the national government's deficits, are themselves moving into the

in 1994, the federal deficit was 4.7 per cent of GDP and the local governments had an aggregate 0.7 per cent surplus. This, according to Mr Helmut Krawer, director of the Austrian Institute for Economic Analysis (Wifo), the federal deficit will be about 5.2 per cent of GDP and the local governments will add a further 0.5 per cent to the total.

The other headline economic problem is tourism (see report on page five). Tourism has long been one

of the most important compo-nents of the Austrian economy. accounting in good years for as much as a tenth of GDP. The industry has also been the

% of total 1994

All office EA

. **US**

E-Europa-

TOTAL EFTA

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lynchpin in the balance of payments, covering chronic visible trade deficits. In the past two years, however, the net tourism surplus has suddenly deteriorated - from Sch61.4bn in 1993 to Sch43.7hn last year and Sch27bn in the first nine months of this year.

Forecasts

That in turn was responsible for a record current account balance of payments deficit in the first nine months half of Sch30.5bn. Forecasts of the full year deficit range up to Sch41bn, compared with defi-cits of Sch22.3bn last year and Sch8.2bn in 1993.

Even though there have been some extraordinary factors in the decline of tourism income, notably the rise in the value of

Imports

Austria's foreign trade

Construction activity, on the other hand, has slumped following a strong 7.3 per cent advance last year. Mr Kramer observes that construction has been strong for most of the past five years, especially housebuilding, and perhaps a slowdown was mevitable. Also. the public sector's budget difficulties mean reduced infrastructure spending. The main impact of EU mem-

ments in the future.

far this year. Industrial produc-

tion has been growing at rates above 7 per cent up to August.

Economists say this perfor-

mance is broadly based, with

particular strength in capital

goods. Details are hard to come

by because of changes in statis-tical collection methods follow-

ing Austria's entry into the

Exports of manufactured

goods were 8 per cent ahead in volume, 14 per cent in value. in

the first eight months.

bership has been felt so far in the retail sector. Impatient with the reluctance of local retailers to reduce their prices. more and more Austrians have headed over their borders. mainly with Germany and

the schilling against most European currencies - most retail sales index in August economists now believe that it was 5 per cent lower than the is unlikely to resume its foraverage for 1994. This trend. mer importance. That means which should be self-correct ing, has also had detectable that the country has no choice but to look to other wave of negative impacts on the balbalancing its international payance of payments and on the government's value added tax In spite of these burdens, the conomy has performed well so

A more positive immediate mpact of EU membership has been a significant reduction in inflation. It has fallen to around 2 per cent in recent months, compared with an average 3 per cent in 1994, and economists see further reduc tions next year.

And the unemployment rate

has been stable at about 6.5 per cent well below the EU average, in spite of some large business failures this year, notably that of the Konsum supermar-

The near-term outlook for the economy is unclear because of the political tur-moil, but it is at best dull. New orders in manufacturing have been weakening in recent months and the squeeze on the public sector, which accounts for nearly a half of GDP, will continue to dampen both public and private consumption

Productivity But economists are confident

that no recession is in prospect. The medium-term outlook is even less clear. It would seem that Austria would have difficulty making its export-oriented industry take up the slack from tourism. Austria is a high wage, strong currency country with a weak capital market and a not particularly distinguished education system. Yet its labour force gets high marks for quality and productivity. In recent months. Austria has won some very large industrial investments from companies such as General Motors and the Dutch paper group, KNP.

Mr Josef Christl, head of the economics department at Creditanstalt-Bankverein suspects that the more likely solution is a reduction in demand for imports.

That may not be as painful a process as it sounds. Manufacturing still occupies an extraor-



ing to affluent Austrians and tourists, alike Peters LTPA

Productivity

/ear	index (1976= 100)	Plus. minus % vs. previous year
1990	180.5	6.0
1991	186.0	3.0
1992	190.2	2.3
1993	199.0	4.6
1994	215.9	8.5

wages and salaries per employee*		
1990	226.2	7.5
1991	239.1	5.7
1992	252.5	5.6
1993	263.1	4.2
1994	271.0	3.0
Wholesale prices		
1990	136.2	2.9
1991	137.4	0.8
1992	137.1	-0.2
1993	135.6	-0.4

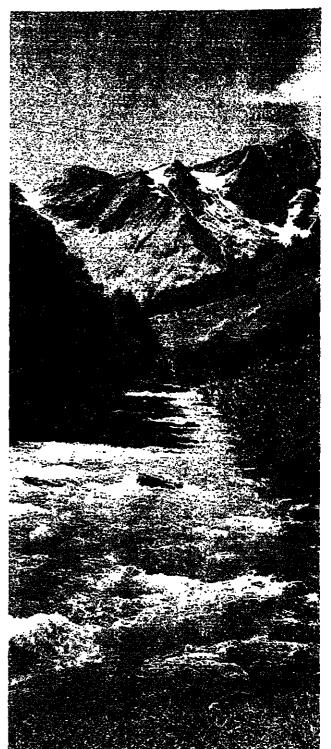
1992	136.2 137.4 137.1	2.9 0.8 -0.2
1993	135.6	-0.4
1994	137.4	1.3
	Consume	er price index*
	Onsume 170.2	ar price index*
1990	_	
1990 1991	170.2	3.3

3.0

1994 195.3

money on.

dinarily high position in the economy - providing more than 30 per cent of GDP. This suggests there is still lots of room for development of domestic services that people would enjoy spending their



Wildly beautiful scenery at the start of the Grossglockner road, near Bruck. Tourism has long been one of the most important compone the Austrian economy, accounting in good years for as much as a tenth of GDP. But in the past two years the net tourism surplus has suddenly deteriorated - from Sch61.4bn in 1993 to Sch43.7bn last year and Sch27bn in the first nine months of this year. Some observers feel that tourism may not regain its former position as the balancing factor for the country's visible trade deficit, as many international tourists seek warmer, more exotic destinations: see report, page five. Figure Pole: Bake

igh tensions continue

The shape of Austrian banking is changing amidst intensive competitive pressures and mediocre performance

Austria's banking scene has been in a state of high tension for much of this year and the causes of that tension show little sign of abating in the near future.

The headline issue has been the completion of the privatisation of Creditanstalt-Bankverein, the country's second largest bank, a project launched in 1990 and which has once again been postponed because of the collapse of the government

But there are also strains at Bank Ausmainly from its indirect purchase last year of a controlling interest GiroCredit, the clearing organisation for Austria's savings banks. Further privatisation is lurking as an issue at Bank Austria as well.

Meanwhile, the sector's performance continues to be mediocre, reflecting the excessive competitive behaviour that has long been a hallmark of Austrian banking and which is generally attributed to the high degree of public ownership in it.

A measure of that mediocrity emerged in September when Moody's Investors Service issued financial strength ratings for the world's leading banks. The idea of this new rating is to assess a bank's own strength independent of those of its parent company or any government guarantees it might enjoy.

The results are particularly revealing for Austrian banks. Bank Austria, which enjoys a triple A rating on its long-term deposits, thanks to a city of Vienna guarantee, received only a C+ financial strength rating. Creditanstalt, which has an A1 rating on its deposits, has only a C financial strength rating. The Austrian government holds 69 per cent voting control of Creditanstalt.

Moody's defines banks with C ratings as having acceptable fundamentals within a stable environment or better than average fundamentals within an unstable operating environment.

GiroCredit, which has no government backing, has a D+ and only Erste Oesterreichische Spar Casse Bank, which is also independent, achieved a B.

The cure for this general malady has long been clear - a combination of consolidation to remove excess capacity and

weaning the biggest banks from their government backers and political affiliations. The consolidation process has been

under way for several years, with the largest step so far taken in the autumn of 1991 when Zentralsparkasse, the Viennese savings bank group, took over the failing Länderbank to create Bank Austria. This was expected to be followed by

Erste Oesterreichische and GiroCredit joining forces to consolidate the rest of the savings bank movement. But Erste was a reluctant suitor, and Bank Austria, which wanted to sell its 30 per cent stake in Giro as part of any deal, last year became impatient with Erste's dithering and instead bought up enough shares to give it 56 per

Giro, which is affiliated with the conservative People's Party, has not fitted in munity. It has actively resisted some of BA's attempts at rationalisation, suspecting that a strategy of slow murder by a

There have been big changes at the top of larger institutions in the last 18 months

thousand cuts lies behind them. In November, it even converted its participation certificates into preference shares and floated its preference shares on the stock exchange in a demonstration of its inde-

In the meantime, Erste has pulled off this year's biggest consolidation, acquiring a 70 per cent stake in Sparkasse der Stadt Salzburg in October for Schl.9bn. The next steps depend to a considerable

extent on the outcome of next week's elections and then on municipal elections in Vienna next year.

If the People's Party succeeds in getting the upper hand in the government, it will probably be sympathetic to an Austrian-

German-Italian consortium that is seeking

to buy Creditanstalt. Mr Wolfgang Schüs-

sel, the new leader of the People's Party, believes domestic control of the country's

econd largest bank is important. Erste is a member of that consortium, which would indicate the likelihood of some rationalisation between it and Creditanstalt. The large rural Raiffaisen co-operative bank group, which three years ago made an abortive takeover bid for Creditanstalt, might also get involved again.

If the Social Democrats retain control of the government, they will probably renew their attempt to sell the bank to the highest bidder. That would almost certainly be a foreign bank, which might well bring new competitive fizz to the domestic banking scene.

Whoever is in charge of the federal government will probably try to carry through with the plan to sell off its 19 per cent stake in Bank Austria, either to strategic investors or via international second-

But Bank Austria's status is no longer as certain as it once seemed. The Social Democrats face losing their absolute majority in the city of Vienna elections next year for the first time in this century. would mean, among other things, that they would lose their total grip over foundation which holds just under 50 per cent of the shares.

The foundation, which was also the buyer on behalf of Bank Austria of Giro shares last year, is understood to be financially stretched because of loans it took out to pay for those shares. These loans have been non-performing as Giro had a bad 1994 and passed its dividend.

And if the People's Party wins the federal finance ministry, it would probably be less sympathetic than the Social Democrats to Bank Austria's plea for a 10-year transition period in adopting EU accounting guidelines on consolidation.

Mr Gerhard Randa, chief executive of Bank Austria, says the bank's capital ratio would deteriorate from 10.75 per cent to about 9 per cent if it had to consolidate both the foundation and Giro.

While there has been much controversy in the past two years over the possibility that control of Creditanstalt could pass into foreign hands, foreign ownership is increasingly becoming a part of Austrian banking life. Schoeller Bank, a medium size private and commercial bank, is now owned by Bayerische Vereinsbank, and last spring Bayerische Landesbank bought a 45 per cent stake in Bank für Arbeit und Wirtschaft (Bawag), previously controlled by the Austrian trade union movement.

There has also been considerable change at the top of the biggest institutions, with new chief executives at Bank Austria, Giro and Bawag in the past 18 months, and changes at Erste and Creditanstalt not too far away.

All of which suggests that the face of Austrian banking could take on a quite different shape in the next year or so. Profile: Klaus Liebscher. By lan Rodger

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the government's problems". He was optimistic that the new government, "however it business. is composed", would deal with the situation. "My recommen-dation would be to do more next year rather than (imple ment] half-measures and then

He was also eager that sacred cows. such as severe limitations on shop trading hours, be removed, because of the damage they do to the economy. "With the opening to the east and [membership of] the EU, Austria now has a

have to go through the same

fights again. My priority would be to achieve it mainly on the

expenditure side, although it is

not realistic to exclude tax

completely open economy. That brings with it a more competitive environment, and we have to change our habits." Mr Liebscher is not happy

Continued on next page

Tough views on spending controls

The new president of the National Bank is a man of forthright opinions

Mr Klaus Liebscher, the new president of the Austrian National Bank, is on the surface quite a contrast to his outspoken predecessor, Mrs Maria

Schaumeyer.
Mr Liebscher is a financial man through-and-through with a reluctance to take up strident positions. Before assuming his post, he was chief executive of Raiffaisen Zentralbank, the central organisation of Austria's co-operative banks, and was president of the Vienna stock exchange.

Mrs Schaumeyer was a leading figure in the conservative Austrian People's Party which, under Austria's curious proport system of sharing top jobs among members of the two leading political parties, has the right to name the central

But Mr Liebscher - perhaps because the situation has substantially worsened in recent months, with widening current account and public sector deficits - is already proving to be just as outspoken as Mrs Schaumeyer about Austria's financial and economic prob-

Some analysts and currency market speculators have even suggested that the 13-year-old link between the Schilling and the D-Mark could be threatened, although Mr Liebscher

will not hear of it. "The stable currency policy will be continued," he says, emphasising that it has helped create the strong economic growth and low inflation that Austria has enjoyed for most of the past decade. Austria strengthened that link early this year by joining the European Union's exchange rate mechanism immediately after it entered the EU.

However, Mr Liebscher is highly critical of Austrian governments at all levels for letting their spending get out con-

trol - "fundamentally, we have a sound economy with a very high savings rate, low interest rates and an attractive tax structure, but we are faced with increasing budget deficits that must be reduced in a substantial and sustainable way". Social welfare programmes

have, he believes, become much too generous - "people



Equity market: by lan Rodger

A visible weakness

The development of large institutional investors in equities has not yet happened in Austria

Austria's equity market is notoriously thin and weak. Its total capitalisation in 1993 was only about 15 per cent of

GDP compared with 144 per cent in the US, 127 per cent in Britain and 117 per cent in Switzerland. This in spite of the fact that Austria has one of the highest gross saving rates. 25 per cent of GDP, among industrialised countries.

Until the past three years, the weakness of the equity market has not been a great problem for the country. But now that large scale privatisation has become a necessity, it has become painfully apparent. In many cases, privatisations can only be achieved by calling on foreign investors, and that in turn has caused a popular

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reaction against it. Since the Second World War. about a third of the country's industry has been owned mainly by governments or by banks controlled by the governments. Another third has been held by foreign owners and a further third by private individuals or families.

For most of this period, the country's economic climate has been remarkably stable, thanks to the politically-led social partnership of management and labour.

As a result, it was safe for banks to provide much more lending to industrial companies than they otherwise might have. Typically, equity accounts for less than 20 per cent of industrial company

Moreover, the banks were in a good position to provide loan capital because individual Austrians preferred to place their savings in anonymous num-

Profile: First Austrian Bank

fail to notice Die Erste öster-

reichische Spar-Casse-Bank

Investors, too, may pay more

attention to Die Erste in the

to play a significant and profit-

able role in rationalising Aus-

tria's generally undisciplined

Die Erste is Austria's oldest

bank and still its strongest. In

September, it won the highest

rating of Austrian banks, a B.

under Moody's new Bank

Financial Strength analysis

(BFSR). This rating only mea-

sures banks' own resources,

and specifically excludes gov-

ernment and other external

guarantees. But it is relatively

small, ranking fifth, with

assets of Sch226.1bn at the end

of September. This compares

with more than Sch600bn at

Bank Austria and Creditan-

stalt-Bankverein, the country's

GiroCredit, the bank that

acts as the clearing organisa-

tion for most Austrian savings

banks (including Die Erste),

and Bank für Arbeit und Wirt-

schaft (Bawag), the trade.

two largest banks.

other street corner.

thereby escaping tax, than to invest in securities.

The development of large institutional investors in equities, such as insurance companies and pension funds, as seen in other countries, has not yet happened in Austria.

The government provides generous pensions to all citizens from its current account. which means that there is no public pension investment fund and very few private ones. And the insurance companies have benefitted from an oligopolistic market, being able to maintain adequate returns by investing in government securities and raising policy premiums when necessary.

The weaknesses of this system did not become apparent in the first wave of partial privatisations via stock market flotations in the late 1980s of leading companies such as the Verbund electric power company and Creditanstalt-Bank-

In all of these operations, the government maintained majority control and so was not very concerned about where the rest of the shares went.

Political rows

But from 1992, when it became apparent that international investors would no longer accept partial privatisations, the situation changed. In cases of small companies, such as microchip maker Austria Microsysteme, no one made much of a fuss when foreign investors bought up a majority of the shares. But the prospect of foreigners holding a majority of the shares of integrated oil group OMV or the venerable Creditanstalt has caused huge and as yet unresolved political rows.

In early 1992, the Austrian financial community, with the support of the finance ministry, launched a multi-faceted initiative to strengthen the equity market. Wealth taxes have been reformed to incite family controlled companies to go public, legislation to make

the market more trustworthy has been passed and regulations on insurance company investment practices have been relaxed. Next year, in all likelihood, an independent market supervisory agency

will be created. But, as Mr Johannes Attems, the coordinator of this reform drive admits, the problem is still participation - "the framework is not too bad now, but we still have to make the horses drink," he says.

Mr Attems, who is an executive director of Oesterreichische Kontrollbank, cites a number of forces that should gradually strengthen the mar-The government's

immense budget difficulties will force it to withdraw gradually from the pension area, clearing the way for the devel opment of private pension

 Increasing competition in the insurance business arising from Austria's European Union membership will force the insurance companies to look for the higher financial returns only available from equities.

• The creation of a single European currency will make the Austrian market more attractive to more European investors because the exchange rate risk will disappear.

 Banks, which are themselves under growing pressure to perform better, will probably become increasingly reluctant to provide companies such high levels of debt financing as in the past, Meanwhile, the processes of

privatisation and stock market flotations of private companies are likely to continue to be as bumpy as they have been in the past two years. The issues are complicated

by the fact that long years of half-hearted supervision by governments and banks have left many industrial companies not in the best shape for selling on the market.

A prime example is Lenzing, one of the world's largest producers of viscose fibres. Bank

Austria and Creditanstalt together hold a small majority of the shares and want to get rid of them.

But a secondary offering would be difficult because the company's recent track record is not that strong. The more attractive alternative is to sell to a strategic investor who in this, as in most cases, is going to be a foreigner.

Another type of valuation problem emerges in the case of Creditanstalt itself. The government has been committed to selling its 70 per cent voting stake in the bank for the past five years, but has had great difficulty doing it. Last year, the government decided to sell to a strategic buyer, but has become embroiled in controversy over the price to

Suspicious

The bank itself and a consortium of Austrian. Italian and German groups interested in buying it believe offers should be based on the stock market price. But the finance ministry is suspicious of the market price, because the market is so

Indeed, the Creditanstalt share price has fluctuated wildly from a high of Sch823 in 1993 to a recent price of Sch540. In the midst of these difficul-

ties, considerable credit must be given to OIAG, the state industrial holding company. It has had a large agenda of privatisations and market flotations, but has continued to attract a growing number of Austrian and foreign investors to its offers.

It has been criticised for pitching its prices too low - the recent flotation of steelmaker Voest Alpine Stahl was set at only three times estimated 1995 earnings - but Mr Attems rejects the criticism.

"Yes, the prices have been low, but they have done that to promote the long term interest of shareholders. If you have a large programme, you have to keep your clients happy."

has also committed itself to

buying a 7 per cent stake in

Creditanstalt as part of a con-

sortium of Austrian, Italian

and German interests bidding

for part of the 70 per cent stake

held by the Austrian govern-

executive, says closer links

with Creditanstalt, which also

has strong connections with

the People's Party, could lead

to improvements in efficiency

through combined operations

The privatisation of Credi-

tanstalt should be completed

early next year, but it is impos-

sible to predict whether the the

consortium's bid will be suc-

cessful or not. From an inves-

tor's point of view, Die Erste is

an unusual beast. Its ordinary

shares are held by a private

foundation, leaving only non-

voting preferred shares avail-

More than a third of the pre-

ferred shares are held by two

Austrian insurance companies,

so that only about 2.7m shares

worth some Schl.3bn are in the

public float. The trade in the

shares is still too thin for

inclusion among those continu-

ously traded on the Vienna

The bank set up an interna-

tional investment relations

programme a year ago, and the

able in the market.

Stock Exchange.

in some areas.

Population owning Gornove THE STATE OF New obey us, 🚐

■ Profile: Mayr-Melnhof Karton

Learning to live with a listing

tors bard to complete the sale.

have been well founded. The

shares have not yet recovered

to the offer price of Sch720

flotation, the company slashed

an ambitious profit forecast

due to sharp rises in raw mate-

be making some headway this

year in rebuilding investor

confidence. Its full year 1994

results were better than the

revised forecast suggested and

Until the slip in October, it

was careful to disclose impor-

tant information to the market.

It even published a memoran-

dum it had sent to customers

in September assuring them.

that it would not raise its car-

ton board prices again this

But investors can be unfor-

giving and it may take time

before the company's strengths

are fairly reflected in the share

Mayr is active in three busi-

nesses - making carton board.

producing and folding cartons.

and collecting and selling

its first half was very strong.

Mayr executives appeared to

rial prices.

year.

waste paper.

Only two months after the

Their reluctance seems to

Europe's largest maker of carton board rebuilds investor confidence

In late August, Mayr-Melnhof Karton, the carton board manufacturer, reported a first half net profit of Sch216m (£14m), double the level earned in the same period of the previous

It said demand had been brisk in the first half and that its plants had worked at full capacity. Some cooling of activ-



ity was foreseen. But Mr Michael Gröller, the chief executive, forecast that net income would more than double to Sch400m in the full year, making a divi-

dend increase possible. On October 16, Mr Gröller and other executives gave no indication in an interview that the market situation had

But four days later, the group confirmed a report in an Austrian newspaper that it had introduced short-time working at one of its largest plants in response to a drop in orders.

Mayr shares, which are among the most actively traded on the Vienna Stock Exchange, lost 13 per cent of their value in the four weeks following this announcement. Late in November Mayr felt obliged to put out a statement larenoiders that there would be "no long-term material effects on the busi-

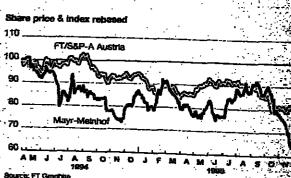
Many quoted Austrian companies are having a hard time adjusting to the expectations of international investors. Mayr. a long-established and very successful family-controlled company, has had more trouble than most since making a Sch2.88bn international public offering of 4m new shares in April 1994.

The offer of 40 per cent of its enlarged capital was highly priced. The managers, Creditanstalt-Bankverein and Morgan Stanley, had to push inves-

ace of legislation on packaging Although family-owned, it has been run by managers who are not family members since the 1950s. Early on it recognised the need to have operations across Europe, especially to meet the demands of multinational companies, for example in supplying breakfast

folding cartons. It believes it will benefit. from customers' growing inter-





union controlled bank in which Bayerische Landesbank bought a 45 per cent stake in lune, are also bigger. Until the 1980s, Die Erste was exclusively a Vienna

savings bank. Changes in Austrian banking legislation in the late 1970s made possible the acquisition of other banks and the opening of more branches. In an era when other leading Austrian banks chose to

expand their international activities - in most cases

unsuccessfully - Die Erste concentrated on building up its core retail business. Since 1980, it has acquired some 19 savings banks with aggregate total assets of Sch70.6bn. Its purchase of a 70 per cent stake in Sparkasse der Stadt Salzburg in October for to 318 branches, three times

the level of a decade ago and

only slightly smaller than that of Bank Austria. Die Erste is not immune to the weaknesses of Austria's banking industry, which are mainly the result of excessive competitive behaviour by the large number of banks controlled by the public sector, and labour market rigidity. By international standards, its lending margins - 2.1 per cent last year - are thin and its staffing is excessive. Operating costs last year were 76 per cent of interest and commission income, and return on equity only 5.4 per cent. But the bank has worked hard and successfully to attract profitable portions of the retail market -

strong and growing doctors, lawyers and other Bank Austria. That brought Visitors to Vienna could hardly highly paid independent professionals - and has embarked The bank's distinctive logo on a programme to reduce its seems to project from every staff by 15 per cent over the next three years, mainly through natural attrition.

In the first nine months of anarating revenue was Sch4.77bn with Sch3.2bn coming from net interest income and just under Schlbn from commissions. Pretax profit was Sch1.2bn, 11.1 per cent higher than in the same period of last year. Customer loans account for

DIELERSTE

just over half of the bank's balance sheet, and interbank bustness for another third. About 30 per cent of lending goes to individuals, 23 per cent to trade and commerce and 10 per cent to housing. Only 5 per cent of creditors are outside Austria

On the liability side, over 85 per cent of primary funds come from savings deposits. Shareholders' equity at the end of September stood at Sch8.5bn. The BIS capital ratio was 11.6 per cent at the end of last year with a 7.67 per cent tier one

Die Erste managed to escape the first round of bank rationalisation in Austria in the early 1990s. In the autumn of 1991, Zentralsparkasse, another Vienna savings bank, took over Länderbank to create

Profile: Unternehmens Invest (UIAG)

into new focus a growing problem over the status of GiroCredit. The new Bank Austria and Die Erste were Giro's two largest shareholders and deposit customers, but also its main competitors in many wholesale Die Erste and Bank Austria also competed against each other in these areas.

Many thought that Giro and Dle Erste, both identified with the conservative People's Party, could be persuaded to merge, but Die Erste was never comfortable with the idea. It was not big enough to buy a decisive controlling interest in Giro and did not want to lose control over its own business.

In the end Bank Austria's parent foundation raised its stake in Giro to 56 per cent last vear, and has begun the process of rationalisation by combining the capital markets and some foreign activities of Bank Austria and Giro.

Giro, in which another 75 savings banks throughout Austria also have shareholdings. has recently objected to what it sees as an attempt by Bank Austria to destroy it slowly by a thousand cuts. and it now appears that a new round of negotiations with all parties concerned is under way. A logical outcome would be for Giro to be liquidated and for Die Erste and Bank Austria to share out its businesses and provincial savings bank network. But logic has not always prevailed on Austria's banking

bank aims to increase the float in the future, through new and secondary issues of both ordinary and preference shares.

Ian Rodger

pioneering equity advocate

go to small companies marketing the idea of equity capital." says Mr Kurt Stiassny, chief executive of Unternehmens Invest (UIAG), one of Austria's few venture capital companies.

Mr Stiassny operates in a tough environment. Austrian entrepreneurs have grown up believing that equity funding has to be minimised and bank finance maximised - "we were taught at university that high leverage was a good thing," he

Debt financing may suit companies in a few stable sectors but it is not ideal for Austria's many small and medium-sized manufacturers, Mr Stiassny argues.

His problem is convincing a small company understand that a broader equity base can help it weather recessions. expand abroad or develop new technologies. Moreover, be rowings tend to delay telling their bankers when things go wrong.

With a view to stimulating equity investment in small companies, the Austrian government brought a law into force early last year allowing the creation of finance companies for small and mediumsized firms. These companies are free

from both income tax and capital gains tax. Shareholders in these new ventures are also be exempted from these taxes on gains from shares worth up to a value of Sch200,000 (£12,800) UIAG was the first company

to take advantage of this legislation. It was founded in 1990 by Creditanstalt-Bankverein and a Deutsche Bank affiliate. It floated its shares on the Vienna Stock Exchange shortly after.

Its policy is to take minority stakes in small companies for a limited period. Individual investments range from Sch15bn to Sch350m.

Rising star

Its track record is like that of most venture capital operations, consisting of a few duds, some good performers and at least one star.

The star is Wolford, a high quality tights manufactures which came to the market last January since when its shares have soared from an issue price of Sch440 to a recent Sch L500.

UIAG, which reduced its stake in Wolford from 19 per cent to 2 per cent in the flotation, reported a surge in its first half profits from Sch30m to Sch98m. It made clear that the near doubling of its total assets from Sch363m to Sch619m between the end of June 1994 and the end of June 1995 was mainly attributable to gains from Wolford.

Another big investment has been in Binder & Co, a Styria-based company that makes exterior cladding for buildings and systems for separating waste materials for recycling. UIAG reduced its stake from nearly 26 per cent to 3 per cent in 1993, realising a profit of

ULAG's other stakes are in JCK Holding, a German textile trading company; Schrack Seconet, a maker of hospital fire alarm and communications systems; Le Duigou, a perfume distributor; and HWS Energy, a Canadian company developing a method for making hydrogen from electroly.

Mr Stiassny says the group looks at about 100 companies per year for possible investment. It rejects 50 of them immediately and does a full feasibility study on 10.

As the list of companies in hich UIAG invests shows. the firm is wary of high technology companies. It has been willing to make investments abroad because of the difficulty of making satisfactory deals with Austrian compa-

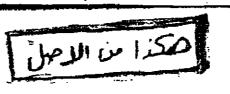
ULAG is setting up its own international network. It has established representatives in Prague, Bratislava and Budapest. And it is setting up a joint venture with a Canadian consuiting company to help smali Austrian companies develop in North American markets and assist North American companies build a presence in central and eastern Europe.

Ian Rodger

COUNTRY

SURVEYS

ON DISK



Michael Gröiler, chief executive We are in a good position in the

cereals maker Kelloggs with

Continued on page six

day to remember

For the business visitor with a free day in Vienna, Carina Lafite highlights some of the city's many attractions

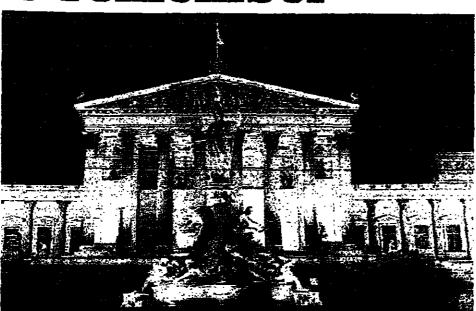
For a princely start, take breakfast in the Palais Schwarzenberg, a baroque palace overlooking quiet and elegant gardens in the centre of the city. The 250-year-old palace at the south end of Schwarzenberg Platz was converted by the current Fürst Schwarzenberg, just after the Second World War, into a hotel and restaurant.

The restaurant overlooks seemingly endless gardens leading up to the Lower Belvedere, and even at 7:30 in the morning it feels romantic especially so after a fresh

After breakfast, burn off your kaiserlicher Gugelhupf by crossing the gardens to the Upper Belvedere art gallery where all the Gustav Klimts and Egon Schieles have recently been brought out again, much to the pleasure of Art Deco addicts.

On the way out, ignore the taxi rank and risk a ride in the tram marked D (tickets can be obtained from a machine beside the driver). The D is a bit like the old number 9 bus in London, weaving its way from one end of the city to the other, passing most of the landmarks along the way. Many of ancient, complete with cubicles for fare checkers.

Alight two stops later at the Opera, break away from the



Floodlit splendour: Austria's Parliament Building in Vienna, the capital city

mobs heading down the glittering Kärntnerstrasse and head for the Secession, a five-minute

walk in the opposite direction. This important Jugendstil building was created in 1897 by the leading figures of the Secession Association of Austria's Creators of Fine Arts, including Josef Hoffmann, Klimt, Josef Maria Olbrich and Otto Wagner. It still follows the founders' motto - "To the time its art, to the art its freedom" - and features eclectic displays of Austrian and international modern artists in its frequently changing exhibi-

Stay with the period and take the Number One underground line from Karlsplatz, a Wagner masterpiece, one stop to Stephansplatz. Walk up the

Graben, a broad pedestrian precinct flanked by Jugendstil houses that host some of Vienna's best cake temples and antique dealers and feature wonderfully weird ornamentations on their top floors.

If you feel a little peckish, you can safely trust a sign just off the Graben in the Dorotheergasse with the name Trzesniewski, a tongue-twister even for Austrians. Don't be put off by the fifties decor or the queue - just indulge in the unique sandwiches (recipes are a well kept secret brought in from Poland nearly 100 years ago) and try a Pfiff. Which translates as 200ml of beer, the maximum amount a Viennese housewife would allow herself

before midday. Or you might take refuge still in charge and the motto remains, 'Noblesse Oblige'. If you are into old books, maps and prints, Gilhofer's Antiquariat in Bognergasse specialises in Austriaca, Viennensia and natural science.

Then observe the young bankers and other professionals piling into the Schwarze Kameel across the street, a restaurant designed by Adolf Loos and featuring Viennese specialities and excellent wines by the

Oenophiles should try to persuade the owner to let them continue the tasting in the Roman cellar, three levels below the ground floor. Lord Nelson, when visiting Vienna with Lady Hamilton, emerged with a bottle of French champagne, then a rarety in the anti-Napoleon Austrian

Modern art

Cross the Freying and once again board tram D at Schottentor. Modern art enthusiasts and non art fans should alight at the fifth stop from Schottentor and visit the Palais Liechtenstein which houses the Museum for Modern Art, including a large part of the Peter Ludwig collection. Nature lovers and joggers should continue and will arrive twenty minutes later at Wertheimstein Park.

This private estate was handed over to the city by Leopold Ritter von Wertheim, a director of the Viennese Bank Rothschild, at the turn of the century. The Biedermeier-style villa has been left untouched and turned into a museum, giving the visitor a rare feel for how arts, politics and finance blended together at that

Another architectural treasure is the strange Art Deco that served the Habsburgs is house built by Otto Wagner for

himself and his family in 1890 in the Vienna woods, It was restored after the second world war by the painter Ernst Fuchs who added his own contemporary style to the decoration. Rest reached by taxi.

If you want to remain in the same period and hear some good music too, attend a concert in Wagner's masterpiece, The Steinhof Institution Church, situated in the extensive gardens of the Psychiatric Therapy Institution of the City

Music lovers will be pleased to know that a new electronic ticket service enables you to buy tickets for most events at banks and some shops rather than having to queue at the Bundestheaterkasse - another example of long overdue liberalisation in Austria.

Finish your day at a Würstelstand, Situated in little huts all over Vienna, these stands provide night owls with sausages, beer and insights into politics. If José Carreras is in town, you might spot him at his favourite Würstelstand by the Opera.

Hotel Restaurant Schwarzenberg, 1030 Wien, Schwarzenbergplatz 9. Oesterreichische Galerie im Oberen

Belvedere, 1037 Eugenstr.27 richstr. 12

gasse 1 Cale Bräunerhof, 1010 Wien, Stall-Dorotheum, 1010 Wien, Dorotheei

Kochert, 1010 Wien, Neuer Markt 15 Gilhofer, 1010 Wien, Bognergasse 2

Museum moderner Kunst, Palais Liechtenstein, 1090 Wien, Frsten-Werthheimsteinpark, 1190, Döblinger

Wagner, Privatmuseum Fuchs, 1140 Wien, Hüttelbergstr. 26

If you seek international success with an investment bank, then let us refer you to the

left-hand side.

German stayaways hit earnings hard

Competition from exotic locations is proving hard to match

You have to give the Austrians full marks for effort. They are promoting their ski resorts this season – even in Switzerland.

That is a good measure of the desperation that has justifiably spread through the country's tourism industry in the past year or so. The country that used to enjoy the world's largest per capita earnings from tourism has suddenly seen its net income from this source shrink dramatically. Indeed, the net tourism surplus has slumped from Sch61.4bn in 1993 to Sch43.7bn last year and only Sch27bn in the first nine months of this year.

Not so long ago Austria's tourism industry seemed to have the best of all possible worlds - a landscape that

The Numberger Hut in the Stubal Alps

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appealed to holiday makers in both winter and summer and an extraordinarily rich cultural heritage that drew thousands of visitors every year to its two principal cities, Vienna and Salzburg.

Tourism accounted for close to a tenth of gross domestic product and employed around 400,000 people, 11 per cent of the labour force. In 1991, it brought in Sch160bn in foreign

Today, as the country's income from tourism sags, sending the balance of payments into record deficits, many people wonder what what has gone wrong, and, whatever it is, whether it can

Most economists believe that tourism will not recover its past economic prominence. An official in the ministry of economic affairs pointed out that a long term decline had in fact been detectable for many years. The combination of the steady reduction in real travel

tively low cost resorts in exotic locations has created competition that Austria cannot

However, this decline was interrupted in the early 1990s by a number of extraordinary factors that resulted in many people failing to spot the

The lifting of the iron curtain in 1939 released a huge flow of curious visitors from former eastern European countries. The Gulf war in 1990 discouraged many Austrians and other Europeans from travelling abroad. In the summer of 1991 reports of polluted beaches on the Adriatic Sea drove many European holidaymakers to Austria's pristine albine lakes instead. The war in former Yugoslavia has stopped many people from taking both winter and summer holidays in that region, to Aus-

All these extraordinary phenomena have faded in the past

year or so, and a reverse pres- Germans are finding better sure has occurred because of value elsewhere. Critics say the strength of the schilling - that many Austrian resorts which is tightly tied to the D-Mark - against most curren-

nearby in Vienna's oldest cof-

fee house, the still remarkably

unspoiled Cafe Braunerhof.

Try a 'Melange', which is not

unlike Café au Lait – and don't

he irritated if it takes three to

four Herr Ober, bitte, before

Karl Kraus, Josef Roth, Peter Altenburg and other members

of the Austrian turn of the cen-

tury intellectual elite had the same trouble 70 years ago, but

they still kept coming back to

exchange their revolutionary

If you have an interest in jewellery, visit the Dorotheum.

which puts on auctions as well

as permanent sales exhibitions.

A more personal service can be

had at Köchert in Neuer

Markt. where the same family

one advances your table.

In the first seven months of 1995, the number of overnight stays in Austrian hostels fell by 4.2 per cent to 74.4m. This decline has been entirely attributable to foreign guests. Domestic guests were actually

up 0.7 per cent. The worst declines were registered by guests from Britain (-13.4 per cent) and Italy (-8.9 per cent), countries where the national currency has dropped significantly against the schil-

A more disturbing statistic is the 7 per cent drop in overnight stays by Germans, Austria's northern neighbours are by far the most important group of visitors, accounting for nearly two thirds of the total, and currency is not an

issue for them. That can only mean that have not responded quickly tastes and to their reduced

competitive standing. We have to ask what people are looking for and what they want to do. We have the resources but we have to ask the right questions. Holiday makers do not come to look at the electric power stations." Mr Werner Schicklberger, an economist at Bank Austria,

The Austrian National Tourism Organisation and the provincial tourism agencies have recognised the changes and have been offering low cost packages to cater to special interest groups for several

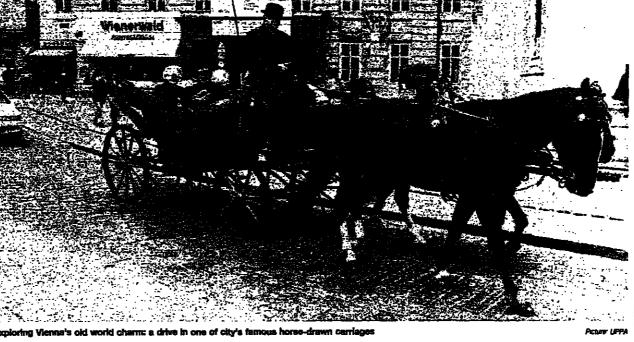
Mr Josef Christl, head of the economics department at Creditanstalt-Bankverein, and one of the first economists to be nessimistic about tourism, says it is simply a matter of price.

"There has been such a huge change in the relative prices of tourism for both foreigners and Austrians. We do not see a

Mr Werner Schicklgruber, an economist at Bank Austria, is less gloomy. He points out that urban cultural tourism has held up extremely well, with Vienna and Salzburg both reporting slight gains in overnight stays so far this year. He says Austria's particular

vulnerability was that it appealed to middle earning Germans, individuals who would pack their family into the car and null a mobile home to a trailer park by a lake in Tyrol. They are the ones who are most likely to be impressed by lower prices elsewhere.

The obvious answer would appear to be to move upmarket, but it would be difficult for Austria to compete with Switzerland, which has a strong hold on this area. So perhaps it is not so silly after all to go after the Swiss middle



'Austria offers no warm beach'

mic capital market. "What I try

to do is explain to people that

we were like Sleeping Beauty.

We had 30 years of silence and

then the market was discov-

ered by international investors

and it woke up. Expectations

were very high and we have

had to do a lot in a short time.

to attract large institutions,

and we can only do that if we

have more and larger compa-

nies on the market." Privatisa-

tions have been very successful this year, he points out. On the banking front, he is

not critical of the seemingly

never-ending attempt to com-

plete the privatisation of Credi-

tanstalt-Bankverein - "it is not

"What we need to do now is

of IT country surveys in Apple ana +44 (0) 171 873 4356 - fex: +44 (0) 171 873 4962

All the analysis, so

with the deterioration of the current account balance in the three years, caused mainly by a sudden weakening in the tourism balance. "We are not in a position

Continued from page three

but we have to find ways to mprove all the activities in the halance of trade. We have skilled neonle, but we have to do more in research and devel-Tourism would not resume

its former position as the balancing factor for a chronic visible trade deficit - "there is a general change in people's lelsure behaviour. They want to see more exotic places and it has become cheaper to get to these places. And we do not have a warm beach in Austria

As the former head of the stock exchange, Mr Liebscher reputation to be always in the newspapers. I hope in 1996 we remains very committed to the will come to a solution". development of Austria's anae-Mr Liebscher dissociates

himself from the strident position of his predecessor who said last year it was unthinkable for Creditanstalt to be controlled by non-Austrian interests. "We are in a liberalised world so we should be relatively open. The idea of a core holding in Austrian hands has my sympathy, but it is not the only factor. In the end, the most important thing is what helps the business of the

Mr Liebscher rejected recent reports of several billions of dollars being laundered through Austrian banks. "I do not understand such claims. We watch over foreign exchange movements and good for a bank with a high there are no indications of

such large transactions."
The 1994 banking act revisions had put in place a strong set of measures to prevent money laundering through Austrian banks, including an any suspicious dealings or clients. Some reports on accounts worth Sch2.7bn had already been lodged, and accounts with some Sch600m had been blocked. "The system is working, the banks are very cautions."

He dismissed worries in some quarters about Austria's anonymous numbered bank accounts. Foreigners were not allowed to use them, and could not use Austrian representatives as fronts, because bankers were obliged to assure themselves about the identity of the beneficial owners of an

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■ Transport: by lan Rodger

The hills are alive with sound of motors

Increasing volumes of traffic have led to protests over congestion and pollution

Arriving at the top of a high alpine pass can be exhilarating, providing a sense of achievement as well as beautiful views in all directions.

Not so at Austria's Brenner pass, for centuries the main thoroughfare between Italy and Germany, and still the easiest way across the Alos.

Approaching the Brenner from the Austrian side is a depressing experience. The long, gently rising Wipp valley has been badly scarred by a motorway built in the 1960s. when giant concrete bridges and cliffside spans were deliberately erected to be seen.

At the narrow pass itself, the motorway jostles for room with the old road and a double-track railway. The small space which remains is covered in tarmac to serve as a loading and unloading station for lorries piggybacking on the railway. Piggybacking has to end at

the pass because Italy is several years late in fulfilling its promise to enlarge the rail tunnels on its side of the border.

The issue of how best to manage freight transit over the Brenner appeared to be settled with an agreement between Austria and the European Union in May 1992, but it has arisen again this autumn.

In early October angry residents of Innsbruck and other towns on the Brenner route blocked the motorway for 24 hours and served notice they would do so again unless the volume of truck traffic was



Route to the Brenner Pass, the

"There is no longer a possibility of a compromise. We are building an alpine attack force," says Mr Fritz Gurgiser, head of Transitforum Austria. a local pressure group with broad support from the Austrian Alpine Club.

Mr Gurgiser, who runs a steel fabricating business near Innsbruck, says the measures aimed at reducing traffic and pollution which were introduced with the transit agree ment have not worked.

The number of lorries in the first half of this year was nearly 725,000, 37 per cent higher than in the same period of 1991. This has been possible because the number issued of so-called "eco-points", the currency conceived to control movements, was far higher than it should have been. This, Mr Gurgiser alleges, was the result of lobbying by haulage

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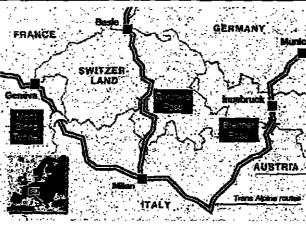
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WCE

MACHINETT CONSTRUCTION TOURS TRUCTION

EBG



(Ecopoints are distributed by Brussels to all interested EU countries without charge. Each lorry crossing the Brenner must spend a number of eco-points depending on the amount of NOx (Nitrous Oxide) per kilowatt-hour that it spews out. The idea is that hauliers can only expand their usage if they use lorries that pollute less. In theory, the overall number of ecopoints issued was also intended gradually to decline but this has not hap-

Mr Gurgiser also complains that Austria's lorry road charges are having to be reduced to bring them into line with EU levels, thereby removing the incentive to use the piggybacking service or pure rail freight.

Austria's ministry of transport does not contest Mr Gurgiser's facts and figures but outs a different interpretation on them.

Yes, too many ecopoints were issued, it says, but an innocent estimating error was made because statistics on transit traffic were not complete. They excluded empty lorries and those dropping part of their load en route.

It agrees, too, that lorry road charges have had to be reduced, but says the Austrian government has tried to offset the impact of this by raising lorry road taxes and fuel taxes which only affect Austrian lorries, and by doubling the Brenner motorway toll last July. These measures will bite only gradually, however, and in the meantime, piggybacking is down 20 per cent this year.

One main reason for the increase in traffic has been the recovery of the Italian and German economies this year. Lorry traffic over the Brenner stabilised between 1992 and

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1994. leaving most countries with plenty of unused eco-

Today, there is a shortage of ecopoints in some countries, and Austria. which has not used all of its points, has been called upon to return them to Brussels for distribution to those hardest hit.

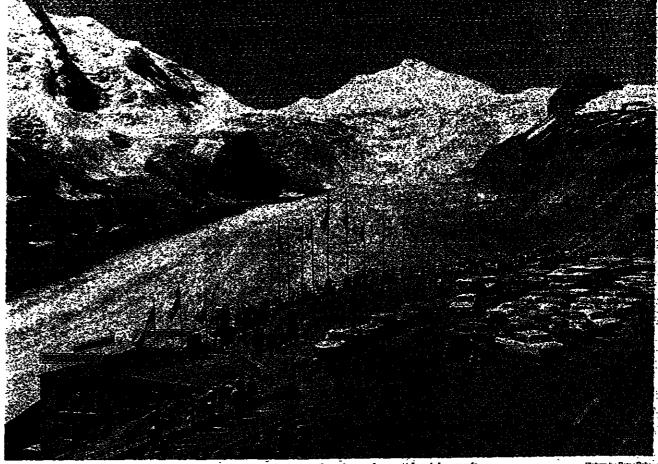
Meanwhile, the government, together with its EU partners. is working on longer term solutions. In mid 1997, a system of fees based on distance travelled will be introduced for lorries, thereby encouraging the movement to piggybacking. As an interim step, the government plans to introduce a flat rate vignette for all vehicles using motorways next sum

Also, the governments of Italy, Germany and Austria and the European Commission agreed a year ago to launch a long term project to upgrade the rail line between Munich and Verona.

The plan is to build it step by step, with the heavily travelled section between Innsbruck and Worgl, being the first. Brussels has recently contributed Sch100m toward the estimated Sch800m planning costs and the government has established a joint stock company with the hope of attracting private partners to the project.

The last step would be a new base tunnel under the Brenner but it would be built only if necessary. Mr Gurgiser believes the existing rail line, whose capacity is not even a quarter used, will prove adequate for all foreseeable needs. The ministry says it does not know, but the decision can be postponed for at least five

It all sounds promising, but it remains to be seen if the Tiroleans will be patient.



antain splendour: the Pasterze Glacker, opposite the Grossglockner – there is good access by alpina roads Gaming companies: by lan Rodger

ielding healthy returns

A casino operator and a slot machine maker have

expanded outside their home market

Austrians are not noted for being keen gamblers. Yet the country is host to two large companies that are active throughout the world in the gaming business.

Casinos Austria is a statecontrolled group with a quoted Australian subsidiary that claims to be the largest casino owner and operator outside the US. It runs gaming houses in locations as diverse as Christmas Island and Argentina and on many cruise ships too. Novomatic, a privately-

owned group based in a Vienna suburb, is still a modest participant in the casino business but ranks itself as the world's sixth-largest maker of slot machines with annual sales of some Sch2.5bn (£160m).

Supporters of Harvard professor Michael Porter's theory that companies in a given sector thrive by clustering together should not get too excited. There is little evidence that

the two have had any influence on each other's development, except that Casinos Austria is a significant customer for Novomatic's slot machines

Casinos Austria was set up in the 1930s to promote domestic tourism, but fell into mysterious hands after the second world war. When the finance ministry refused to renew its

licence in the late 1960s, the national tourist office bought it. Two of the country's leading insurance companies took minority stakes.

The insurance companies and a few other independent investors are still shareholders. Two years ago Munze Oesterreich, the Austrian Mint, took over the controlling stake,

An initiative was made at the time to launch the group on the Austrian stock market. In the end it was decided to keep its ownership in the

JOVOMATIC

hands of the state and existing institutional shareholders. Mr Leo Wallner, the man who rebuilt the business and remains its chief executive, worries about undesirable types buying big shareholdings and throwing their weight around.

Novomatic was started by Mr Johann Graf in 1970 as a small operation selling and servicing slot machines and juke boxes in bars in the Vienna area for British group JPM.

began manufacturing on his own account in the late 1970s just as the application of electronics to slot machines was becoming practical. Today, Novomatic controls more than 10.000 slot machines.

Both companies see a rosy

after the privatisation of the tourist office

Graf, who still owns 97 per cent of the group outright,

future for their businesses.

"Governments everywhere need more money. We provide it in a convenient way," says Mr Graf, referring to the tax revenues governments make from gambling.

But their strategies for exploiting that future to the full are strikingly different. Casinos Austria is continuing with its winning strategy of the past two decades: expanding aggressively abroad and while carefully tending its

monopoly at home.

From a modest start in the Netherlands, the group now operates 55 casinos in 14 countries and another 21 on cruise ships. It first published consolidated accounts for 1994, revealing profits before tax of Schoolen on revenues of

Sch8.2bn. Last year, it spun off its activities outside Europe into an Australian company. It floated 45 per cent of the concern's shares on the Australian Stock Exchange in December at a price of A\$1 per share. .

Mr Wallner explains that the group wanted a legal entity that would not be associated with the European Union. The parent retains a firm grip on the unit through its statutes. These stipulate that Casinos Austria must maintain majority ownership and that no other investor can hold more than five per cent of its shares.

Mr. Wallner says that the group avoids operating in_ areas where security is uncertain. It has withdrawn from Moscow and has never tried to start operations in the Andean

countries of South America where drugs cartels are powerful. It withdrew from Croatia when the war began in former

Yugoslavia. In March Casinos Austria opened what it describes as Europe's largest casino in the resort town of Baden, south of Vienna, Built at a cost of Sch800m, it has 35 gaming tables and 317 slot machines.

Novomatic too is interested in expanding its business as an owner or operator of casinos, but slot machines remain its main focus. Mr Graf believes that today's gamblers prefer

Casinos austria

the privacy and anonymity of these machines to the social glitter of the gaming tables. And that is fine with casino operators because slot machines need fewer staff to service them and are thus more profitable.

Novomatic sells its machines under a number of brands but is increasingly settling on the Admiral name. Its strategy relies on continuing innovation in the games on the machines. Mr Graf says he spends 10 per cent of revenues on product development and brings out 20 new models a year.

Both groups are excited about the recent legalisation of gambling in neighbouring Switzerland and have been prominent among those seek ing licences to operate full-scale casinos there.

Mayr-Melnhof expands into eastern Europe

Continued from page four

est in the environment. Its board manufacturing is based on recycled waste paper.

We are in a good position in the face of legislation on packaging. We can demonstrate that [in terms of production] we are in a closed loop," Mr Gröller says.

Mayr has adopted a strategy of acquiring competitors in these three highly-fragmented sectors. It has accelerated the ace since raising Sch2.9bn from the public offering.

The carton board division is already the European leader with plants at eight locations capacity of 1.1m tonnes a year and a 30 per cent European market share.

The group claims its folding carton division is also the largest in Europe, since the acquisitions of Walmsley in the UK and Impack't Cartonnages in France last summer. But it still has only a 5.5 per cent share of the 3.5m tonnes-per-year European market - "we think we need a 10 per cent share in Europe and to be market leader in the big markets: Germany. Britain and France," Mr Gröller says. The waste paper division collects and sells 1.2m torines of its raw material a year and claims to be in the top five in Europe.

In spite of Mayr's apparent vertical integration, the group's divisions do not have to buy from each other on an exclusive basis. The carton board division buys only 40 per cent of the waste paper it uses from group companies, and the folding carton division buys only half of its board from internal sources. Purchases by the folding carton division account for less than a tenth of the sales of the carton board

The group is expanding into eastern Europe and working hard to produce recycled board of high enough quality to dis-

place virgin material in highvalue product packaging, such as for cigarettes. It also is developing a barrier board to

Mr Alfred Fogarassy, deputy chief executive, defends the group from criticism over last

displace board-plastic lami-

nates in waterproof applica-

year's earnings forecast revi-sion. "We had never seen an explosion in waste paper prices like that." He says the price went from negative - the suppliers paid Mayr to pick it up to DM300 (£135) per tonne in the space of a month. He also defends the initial stock price.

assets a lot and we have lots of reserves, as will become clear in the next five years. The book value of the group is about Sch7bn but the insurance value is more than

Ian Rodger

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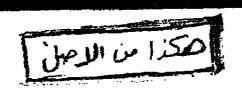
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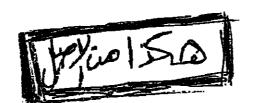
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cut-throat prices. Mr Bronner

recently filed a law suit

against Mediaprint, because

the company included Wirt-

schafts Blatt in its home-deliv-

ery network while refusing to

distribute Standard. Mr Bron-

ner claims that this is a clear

abuse of excessive market

power.

Mediaprint argues that Stan-

dard competes directly with

Kurier, which also aims for

quality reporting, while Wirt-

schafts Blatt does not. The out-

come of the law suit is closely

watched by the industry. A rul-

ing against Mediaprint could

result in the break-up of the

group. That would make room

for smaller papers and would

lessen their dependence on

government subsidies, media

But a break-up of Mediaprint

is seen as a political suicide

mission because the two larg-

est papers would punish any

party advocating such a step.

Mediaprint has already won

The tabloid Taeglich Alles

which shocked the market three years ago with flashy col-

ours and a price of only Sch3,

is in deep trouble. Circulation

is well below that of Kronen-

zeitung, and its muck-raking

style and low-income reader-

ship profile has kept most

advertisers away. Losses are

mounting, but its owner Mr

Kurt Falk, who took Sch2.2bn

by selling his 50 per share in

Kronenzeitung in the mid-1980s, is determined to survive.

The advertising pie for the

printed press is likely to shrink

further because of new entries

in the television market, mak-

ing survival for some papers

even harder. RTL, the German

private television group, is

planning a "window" for com-mercials specifically aimed at

And the publisher of Kronen-

zeitung, Mr Hans Dichand, has

a good chance to break the

state monopoly of the Austrian

Broadcasting Company ORF

and establish the first private

To ease the pressure on the

press, publishers want the gov-

ernment to abolish the 10 per

cent levy on all advertising.

which they say has hampered

the growth of advertising reve-

nue and has given an unfair

the Austrian market.

TV channel.

experts say.

another battle.

Huggle

End to subsidies feared The debate over state hand-outs to

■ The press: by Eric Frey

newspapers is becoming

increasingly heated Austria's leading newspapers have been among the most ardent advocates of change but, if it ever comes, they will pay a heavy price. Whoever wins the elections on December 17, will cut or abolish the Sch300m in state subsidies to the newspaper industry that

have kept many publications

Before the coalition government of social democrats and conservatives fell out over the 1996 budget in October, they had agreed to cut press subsidies by 10 per cent. But this reduction is too small for Mr Joerg Haider, the leader of the right-wing Freedom Party, who has accused the subsidised press of supporting the government in return and has demanded the abolition of all hand-outs to the media.

Mr Wolfgang Schuessel, chairman of the conservative People's Party (OeVP), has also publicly supported significant cuts. Proponents of the subsidy say they need the hand-out in order to maintain diversity of opinion in a market too small to support a range of different papers. They also cite the unusually high ownership concentration in the industry and claim that the subsidies have not resulted in political inter-

Besides direct subsidies, generous state aid has flown to some papers for the building of new printing plants and other projects that it is believed will create jobs. Newspaper publishers say they would rather live without hand-outs.

They blame the country's lack of anti-monopoly regulations for their financial woes. This allowed the two largest tabloid papers. Kronenzeitung and Kurier, to join forces with the help of a German media

group, Westdeutsche Allgemeine Zeitung (WAZ), in the mid-1980s. Mediaprint controls more than 40 per cent of the national paper and magazine market and more than 60 per cent in Eastern Austria. Kro-

11.500

readers out of a total population of 8m.

If the subsidies are abolished, the main losers would be Vienna's two main quality dailies, the centre-left Standard and the conservative Presse, which each have circulation of less than 70,000 and are fighting a bitter battle over circulation and advertising in an increasingly crowded market.

Both papers receive about Sch35m a year from the government, but they are still deep in the red and have little

return Presse to the conserva-Standard has avoided turmoil in its leadership, but is in even deeper financial trouble.

The paper was founded in 1988 as a liberal and independent voice and quickly shot up to the top in quality newspaper market. But it never posted a profit, persuading the German publishing giant Springer, that financed the start-up, to sell its 50 per cent stake in the paper to the publisher, Mr Oscar Bronner, for Sch150m.



Haider demands the abolition of government aid to the press

prospects of turning a profit soon. Presse is the more established of the two papers but it has recently been through a period of dramatic change. moving from broadsheet to mid-size format and has been gaining circulation after several years of decline.

Presse has also just appointed its third editor-inchief in 12 months as 37-yearold Mr Michael Maier decided to leave for a post in Germany after only seven months at the helm. He had been widely criticised by the conservative business establishment, which controls the paper's management through the chamber of commerce, for shifting to the political centre.

His successor, Mr Andreas

Since 1988, Springer had put in about Sch800m into the project. Mr Bronner, who held the other half, mortgaged all of his Standard shares to Bank Austria, the country's largest bank, for a Sch200m loan to finance the buyout and cover future losses.

Mr Bronner now has to stem the paper's losses and find a new foreign partner, or risk losing control of the paper.

To make matters worse, a new business daily has entered the race, Wirtschafts Blatt was launched in October with the help of the Swedish publishing house Bonnier. Sales and subscriptions have

been disappointing so far, but the paper has taken a large share of the financial advertis-Unterberger, is expected to ing market by offering advantage to direct mailings. ■ Profile of Otto von Habsburg: by Carina Lafite

old man of politics irand

Why membership of the EU has been a personal victory for the son of the last emperor

uropean history had taken a less violent turn in 1914, Otto von Habsburg might today preside over the Austro-Hungarian empire from the glittering Hofburg palace in Vienna. Instead, the first son of the

last emperor Karl is an ordinary resident of Pöcking near Munich and a member of the European parliament for the German CSU party known mainly for his tireless campaigning for European unity. Mr von Habsburg, who is 83. has been active in Austrian

affairs for most of his adult

life. He offered himself as an

alternative to the Anschluss

with Germany in 1938 and pleaded the country's cause with US President Franklin osevelt in 1945. In the 1960s, he agreed to renounce his claims and titles in return for being allowed into the country because he wanted to argue the case for

Austria joining the European

In his view, it was very important for Austria to obtain full membership for security reasons. During the cold war period. Austria was obliged to be neutral, but this left the country vulnerable. Mr von Habsburg also

believed that Europe could learn from Austria's history: people of different nationalities have lived together in the country for centuries. He is delighted that Austria

has finally joined the EU and is not particularly distressed about the loss of enthusiasm among Austrians since entry "It is quite understandable that there should be a certain

letdown after the great expec-

tations. People expected things to happen much faster than they actually could," he says. He is, however, angry at the country's leaders for continually putting off elections to the European parliament, and sending appointees as a stopgap - "appointed members are considered only to be half

members," he argues. He also hopes that the country will send its best and brightest civil servants to Brussels. Otherwise, its chances of influencing things will be limited, he says. In his

view, the practice of sending balanced delegations of Social Democrat and People's Party representatives to Brussels just makes the country look silly in the eyes of its EU col-

Mr von Habsburg lays the blame for Austria's current



Von Habsburg: 'The EU is very much a security system

political turmoil mainly on the system for electing members of parliament, which takes proportional representation to an extreme. Each political party prepares lists of candidutes and, starting from the top, those on the list get into parliament according to the

proportion of seats won by the party.

AUSTRIA 7

"This means that parliament is dominated by the political parties. In my view, this is contrary to democracy." Mr

von Habsburg says. He does not endorse Mr Jörk Haider's call for radical constitutional reform and the formation of a third republic, "But," he acknowledges, "there is a great need for reform to give democracy a much firmer base by the direct election of mem-

bers of parliament." Mr von Habsburg is a strong advocate of EU enlargement to include eastern European countries - even though it would probably lead to large scale immigration into Aus-

tria.
"The Austrian labour markel has lacked competition in recent years, and I think more of it would do a lot of good.

"Anyway, the EU is not only an economic and political structure. It is very much a security system, and the quicker we get advanced countries such as Hungary, the Czech Republic and Slovenia into the system, the better it will be for Austrian security. In my view. Russia is unlikely to be that peaceful in the

Education: by Carina Lafite

Teachers resist reforms

Moves to make staff responsible for spending decisions could lead to a crisis in schools

Austria's education system has until recently never been frontpage news. Its 120,000 teachers have catered for some 1.2m pupils up to the age of 18 in 7,000 schools without much

It is a free service except for a few private schools run mainly by the catholic church. But even private education is cheap by international comparison; teachers are paid by the government and parents pay only Sch1,300 per month fees. According to the OECD's

1995 Education Report, the system ranks among the four best in Europe in terms of providing school leavers general education.

However, this peaceful regime of cheap and good education seems about to come to an end.

For the first time in memory. the education budget for next year will not grow in real terms - it will only increase by 1.5 per cent to Sch67.2bn. That is forcing the education ministry to consider curriculum reform, local management autonomy and other basic new ideas to help keep the schools running smoothly.

But as in so many areas where reform is considered in Austria, there is a well entrenched group - in this case made up of teachers that is suspicious that any changes might weaken their rights and entitlements.

In Austria, almost all teachers are civil servants, directly employed by the state with lifetime tenure guaranteed. They also have exceptional professional protection in that no one without a university degree or a certificate of the Lehrerbildungsanstalt (college for primary school teachers) is allowed to teach. And since more than 90 per

cent of the education budget is



spent on teacher salaries, there would not appear to be much room for manoeuvre.

Mrs Elisabeth Gerer, who was appointed education minister last spring, has chosen to see the budget squeeze as an opportunity. "It is high time that Austrians grasp that it is possible to achieve an increase in quality without pouring in extra funds," she says bravely.

Mrs Gerer has already pushed through new regulations giving individual schools considerable budget autonomy. From next January, instead of having to apply to the ministry for funds to buy pencils or take the pupils on a hiking outing, the schools will receive a block grant based on their head count and be able to make their own decisions.

All schools have already been given the right to supplement their budgets by renting out their facilities when they are not being used. And 24 institutions have been chosen for a pilot project to try out the new block grant system immediately

Predictably, some teachers have already erupted, saying they do not want to take the responsibility for spending decisions. Mrs Gerer admits that most have not been very enterprising so far. "They are just not used to it," she says. She is encouraging head teachers to attend management sem-

Introducing more flexibility in the curricula will prove a bigger challenge for Mrs Gerer, The contents of most curriculum streams has been virtually the same for many decades, "Sound general knowledge is essential, but just look at the changes in and around Austria we need the school leavers to in Europe as well. "For example, I want to cut

down Latin from five obligatory hours per week and introduce more modern languages." she says. However, given the strength

face up to the new challenges

of the teaching unions, it will be difficult to bring in nonqualified teachers for special subjects, and additions to curricula can only be introduced on a voluntary basis.

Fortunately, some schools jump at the chance.

Mrs Eva Reichl, head mistress of the state run Gymnasiumstrasse gymnasium (high school) in central Vienna says that parents and teachers have relied too much on the government to look after education,

"Although I am not happy with budget cuts, they can also be a chance to mobilise new efforts from parents, teachers

and pupils." she says. Mrs Reichl herself sought out a computer company that would be willing to plug the school into Internet. "This would have never been possible with government funds.

she says. Similarly, for the moment. there is no question of bonus pay for teachers who give extra performance. "I have quite a number of colleagues who contribute a lot to extra-curricular activities, but I have to treat them the same way as the ones who do the minimum." Mrs

Reichl says. Mrs Gerer is in no hurry to tackle the touchy issue of performance related pay. "The very strong hierarchy in Austria cannot be changed over-

night," she says. But she is working on a new ich profile for the teaching profession. "Nowadays, we cannot expect to keep one job or one profession for life, but unfortunately this is still seen as an inalienable right by many Austrians," she says.

It could all prove too much for Austria's teachers, For the first time in their history, they have not ruled out strike action as a means to protest against these reforms.



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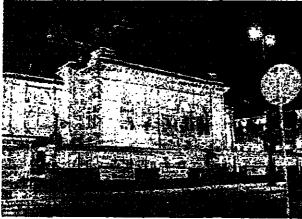
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AUSTRIA: Key facts



The State Opera House, Vienna, left; and the baroque facade of Be

The Republic of Austria is a land-locked country with an area of 83,845 sq km (32,378 sq miles) of which 18.2 per cent is crop land, 24.1 per cent permanent pasture land, and 39 per cent forests and woodland; 18.7 per cent of land is put to

E Population 7.9m (1993); 93 per cent of nationality, of whom 94 per cent speak German, the official language: heavy dialect is in daily use. There are linguistic minorities of Slovens (29,000), Croats (60,000), Hungarians (33,000) and Czechs (19,000).

other uses.

Principal towns Vienna (capital, population 1.53m), Graz, Linz, Salsburg, Innsbruck, Klagenfurt, Villach, Wels, St Polten, Dombim.

Head of state President Thomas Klestil, swom in July, 1992 for six-year term. Chancellor: Franz Vranitzky, (Social Democratic Party,

Vice-Chancellor: Wolfgang Schuessel, (People's Party,

Culture and religion Roman Catholic, 78 per cent, according to 1991 estimates, down from 83 per cent in 1981. The downward trend accelerated in the early 1990s; latest estimates put the figure at 75 per cent. Around five per cent of the population is Protestant. The nuclear family is the norm in Austria - it is common for both parents to work; young Austrians tend to live in their parental home until they marry. In part,

this reflects the length of time taken to complete university courses, although Austrians marry at a vounger age than the European average.

Time zone

end of September.

Six hours later than US eastern

standard time; one hour ahead

GMT+2 from end of March to

Appointments must be made in

Business and social hints

advance and punctuality is

important: the usual form of

handshaking is universal in

followed by family or surname;

business and private meetings

both when arriving and leaving.

language, including English; for

meetings. Tipping is widespread

visiting private homes, it is usual

to take flowers or confectionery

Traditional Austrian food

and sachertorte (cateau): lunch

goulash, knoedel (dumplings)

is the main meal of the day.

and usually expected. When

Business is usually conducted in

address is Herr or Frau,

German, although many

executives speak a second

restaurant meetings, dress

formally, as for business

for the host or hostess.

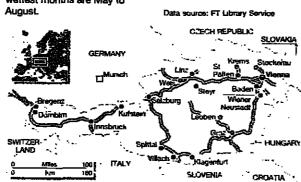
includes Wienerschnitzel.

of Greenwich Mean Time, GMT:

© Сиггелсу Austrian schilling: exchange rates, December 4, 1995; £stg 15.5; \$ = 10.1; DM = 7.0; Yen (Y100) = 10.0.

Business hours Banks, 0800-1230 and 1330-1500, Monday-Wednesday and Friday; 0800-1230 and 1330-1730 on Thursdays in Vienna. with slight variations in other areas. Some businesses do not work on Friday afternoons. Offices: 0800-1230 and 1300-1730, Monday to Friday. Shops: 0800-1830, Monday to Friday: 0800 to 1300 on Saturday; 0800-1700 on the first Saturday of the month in main shopping areas.

Climate Ranges from cool temperate to mountain-type, according to location: winters are cold with considerable snowfall, but summers can be very warm; the wettest months are May to



Salzburg Seminar: by Ian Rodger

A centre for fast-trackers

Salzburg Seminar's world focus is on diplomatic. economic and social issues

That do Marcel Marceau, the French master of mime, Bob Hawke, the former Australian prime minister and Lord Dahrendorf, the prominent British economist, have in common?

They, along with 16,000 others from 123 countries, have been fellows at the Salzburg Seminar, a private institution with mainly US private backing, aimed at helping young people on the fast track get to know their counterparts else-

The Seminar was set up in 1947 by a few US intellectuals. including the famous anthropologist Margaret Mead, to expose war-battered European leaders to American culture and scholarship.

The founders were offered the use of Schloss Leopoldskron, an 18th century castle in Salzburg that subsequently became famous as a stage set for the film of The Sound of Music. The Seminar later bought the castle and its grounds and has stayed there ever since.

Over the years, its focus has gradually shifted away from American studies to international diplomatic, economic

and social issues. Next year it will offer ses sions on sustainable agriculture, human rights, the power of theatre, conservative political movements in western industrial societies and the problem of meeting the health care needs of under-served communities.

"There is no point in us doing management training," says Olin Robison, a US academic who has presided over the Seminar for the past four years. "If you want your rising star to produce a better widget, send him elsewhere. But if you want him to get multinational experience, matching wits with fast-trackers from other countries, this is a bargain," he

weeks, but Robison has cut them down to one week, rec-





tion - "we are an American

institution, chartered in the US

and with 90 per cent of our

funding from the US," he says.

And he jokes about American

taxpayers' money (grants from

the State Department) being

used to restore and maintain

an Austrian historic monu-

ognising that today's rising stars are unlikely to be able or willing to take more than that off from their jobs.

There are normally about sixty fellows in a session, and their time is divided between lectures and small workshops. An intense evening social programme is aimed to break down barriers quickly.

Participation of both faculty and fellows is mainly by invitation arising from contacts with the alumni networks. The Seminar pays only travel and on site accommodation for faculty but provides full expenses for more than 90 per cent of the fellows. Fellows can only

attend once. Robison, former president of Middlebury College in Vermont, is especially proud of the quality of faculty he can attract without paying them. Among recent participants have been EC commissioner Sir Leon Brittan, US Secretary of State Warren Christopher and former German chancellor

Helmut Schmidt. For all the international aspirations of the Seminar, it is

still largely American in both its feel and its agenda. From the moment one passes through the grand gates of the Schloss, it is as if you have left Austria and entered the United

German and other European languages are seldom heard there, and even the freshly scrubbed student hosts and hostesses turn out to have been flown in from US cam-

Over half of the faculty are American, which means that a US view of the world and its problems inevitably prevails. Fellows coming from, say,

India or South Africa for a session on how to make their nongovernmental organisations more effective will learn above all the American way. And they will establish contacts with mainly American sources of funding. The W.K. Kellogg Foundation is the single largest private supporter of the Seminar.

Robison, who operates much of the year from the Seminar's US head office, obviously has mixed feelings about this situa-

ment. Yet he also says he would like the proportion of US fellows in the sessions. reduced from about half to a quarter - and the broaden of the funding base is "a maje

Similarly, Salzburg Seminar is belatedly trying to strengthen its relationships with Salzburg and Austria. The Austrian government has been a regular, if modest, financial backer but it recently agreed to donate Sch25m to help reduce debts incurred six years ago to expand accommodation space

The Seminar frequently invites distinguished Austrians to participate both as faculty one in the Austrian Cabinet has been here at one time or another," Robison says. Meanwhile, the Seminar has

returned to its roots, establishing this year a separate programme for the study of Amer-

ican culture and language. This time, the idea is to provide ideas and materials to academics from central and eastern European countries who are now free to teach American studies without the Marxist. overlay. More than 300 have attended so far.

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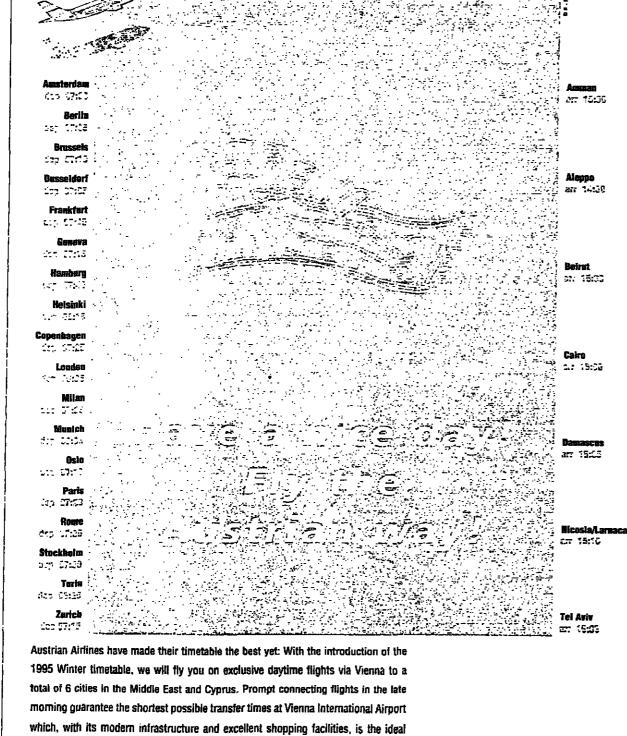
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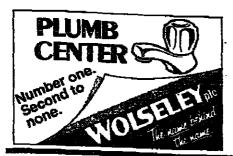




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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday December 12 1995



IN BRIEF

Stora in C\$650m Canada plant plan

Stora, the Swedish pulp and paper group, is to spend C\$650m (US\$473m) on building a magazine paper plant in Canada in one of the biggest investments by a European company in the North American forestry sector. The plant at Port Hawkesbury in Nova Scotia, to come on stream in 1998, will produce 350,000 tonnes a year of uncoated paper used for magazines and advertising materials.

Bristol-Myers to renew cost-cutting Bristol-Myers Squibb, the US pharmaceuticals group, announced a further round of cost-cutting to bolster its profit margins in the face of patent expiries due in the coming years. The moves are also intended to provide a stronger platform from which to mount acquisitions. Page 24

Fresh battle in Peru's 'beer wars' begins When Peru's leading brewery, Backus & Johnston, acquired a controlling interest in its traditional heavyweight rival Compania Nacional de Cerveza in May 1994, it appeared the domestic "beer wars" were at an end. But a new battle has broken out.

HSBC to reorganise Asia-Pacific insurance The Hongkong and Shanghai Banking Corporation said it planned to reorganise its insurance activities in the Asia-Pacific region in a move that will see the virtual disappearance of the Carlingford and Lombard names. Page 26

Foster's shows taste for wine busines Foster's Brewing Group, the Melbourne-based beer company, moved to diversify its Australian interests by launching a A\$482m (US\$355m) takeover bid for Mildara Blass, the largest of the independent winemakers listed in Australia. Page 27

Gencor centenary brings flurry of deals Gencor, the South African natural resources group, is behaving in a sprightly manner for a corporation that this year celebrates its 100th birthday. Last month, it signed two important deals in three days and there is more to come. Page 27

Utilities sell Grid stakes for £376m North West Water and Scottish Power, the UK utilities, sold their combined stakes in the National Grid for £376m (\$594m) as official trading in the transmission network's shares opened in London. The disposal held back the Grid price which closed at 2091-p, valuing the company at £3.54bn.

Goldman Sachs poised to raise bonuses Goldman Sachs, the private US investment bank, has set the tone for remuneration in the City of London by nearly doubling performance-related pay, on average, in awards to be amnounced to staff today. In London, Goldman's 33 partners and a further 20 top staff are expected to receive more than \$1m each in addition to their basic salary.

Tanzania and Zanzibar face cloves clash A squabble is brewing between the Zanzibar archilago and the Tanzanian mainland over cloves, the islands' only significant source of hard currency.

Companies	in	this	iSSU

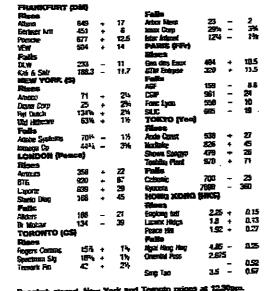
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Aetna	24	HK & China Gas	2
Airtours	28	HSBC	2
Alberta Energy	21	ING Group	1
Amec	29	J.P. Morgan	2
Arbed		Jardine Fleming	1
BCH	24	Johnson Firth Brown	2
BMW	14	Kenwood	2
BTG	29	KirchGruppe	
Bacious & Johnston		Kvaemer	2
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Belgacom	22	Lockheed Martin	
Bertelsmann	21	Marsnesmann Mobiltural	k 2
Bristol-Myers Squibb	24	Moulinex	2
British Energy	20	National Grid	2
Brooke Group	24	O'seas Chinese Bank	
CNC	24	Philip Morris	2
Canal Plus		RJ Reynolds	1
Carcio	28	RJR Nabisco	2
Cervesur	24	S African Airways	
China Light & Power	26	SMC	2
Citibank	16	Samsung	
Coca-Cola	21	Stora	2
Convest Exploration	21	Telkom	
Costa Crociere	6	Thyssen	
Creditanstalf		Total	2
Deutsche Telekom		Travelers	2
FNAC	_	Usinor Sacitor	2
Fiat	-	Veba ·	
Erret Austrian Rank	2	Volenzagen	1

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27 Volvo Car Corp

Chief price changes yesterday



favours sell-off to several buyers

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By Andrew Jack in Paris

The newly-appointed head of Societé Marseillaise de Crédit (SMC), the regional French banking group, favours a sell-off to more than one investor in the bank's forthcoming privatisation. In an interview, Mr Pierre Habib-Deloncle, nominated chairman last month, said he favoured creating a "multi-colour sharebolder base" to help ensure "plurality".

His comments appear to contrast with the public statements from the French ministry of eco-nomics and finance in the past few weeks, which said the privatisation was likely to take the form of a private sale to a single purchaser. The sale is expected next year, and a number of financial institutions are believed to have expressed interest.

SMC has suffered from severe financial difficulties in the past iew years, reporting FFr1.25bn (\$250m) in losses for 1994 and triggering a recapitalisation of FPr1.06bn from the French state. It recently reported profits of PFr3m for the first half of 1995.

One analyst said yesterday he expected the bank to be valued at less than the total of its book assets, which was reported as FFr26.8bn in its accounts at the end of 1994. Mr Habib-Deloncle said he

hoped to stay on as chairman after privatisation. He wanted the group to focus on regional retail banking.

He said he wanted to ensure SMC retained its own regional identity, while being able to develop tight links with a single large shareholder who would take a majority stake.

Mr Habib-Deloncle said he expected to hire his own investment bank to advise SMC on the privatisation process, separately from the appointment of an adviser chosen by the ministry of finance, which is likely to be made in the next few weeks.

He said he was undertaking an audit to examine the financial position of the bank, but saw the need to change its organisational structure, and to wind down its remaining loss-making financial markets and property activities. He wanted to re-emphasise SMC's activities in the southern

Mediterranean region, including the Maghreb in which it is already present. It is active through GP Banque, an investment banking arm in

which the group has majority Mr Habib-Deloncle stressed that although he was active in politics in the ruling RPR Gaullist party, be had experience in the Mediterranean region and as a banker, since he had worked

for Banque Indosuez and Banque He denied he had anything to do with the last-minute decision of the government in November to drop its proposed choice as chairman of SMC and appoint



By Bernard Simon in Toronto

Calgary-hased Alberta Energy has unveiled a C\$915m (US\$888m) friendly bid for Conw-

est Exploration to create one of

Canada's biggest oil and natural

Conwest shareholders have

been offered either CS28 a share in cash or 114 Alberta Energy shares for each Conwest share.

The cash component is limited to

C\$361m, or about 40 per cent of the total. Conwest shareholders

would end up with a 25 per cent

stake in Alberta Energy, which

was fully privatised by the pro-

The offer closes on January 10.

Conwest's shares lost 25 cents to

C\$27% in early trading on the

vincial government in 1993.

gas producers.

Toronto Stock Exchange yesterday. However, the shares rose strongly last Friday ahead of the announcement, Alberta Energy's shares fell C\$1% to C\$21% in

early trading. Although the two presented the deal as virtually done, some analysts said a rival bid might emerge. The fact that there's no major shareholder in Conwest does provide the opportunity for another bidder," said Mr Peler Linder, analyst at Research Capi-

tal in Calgary. Conwest's attractiveness has also been enhanced by a recent jump in North American natural gas prices, caused by an unexpectedly early and severe winter. which totalled C\$158.7m in

1994, comes from natural gas. Together, the two companies would produce the equivalent of about 55,800 barrels a day of oil and natural gas. They also expect to benefit by combining many of their exploration activi-

ties in western Canada. The bid is the latest in a series of mergers and takeovers in the Canadian energy industry. The shake-out follows a period of restructuring, which has included the sale of numerous properties by big, integrated pro-

This year's deals include Anderson Exploration's CS830m purchase of Home Oil, and the C\$296m sale of Gulf Canada Resources to Torch Energy Advisors of the US.

SMC head Usinor warns of profits slowdown

Usinor Sacilor, the French steel producer privatised this year, saw its shares fall 7 per cent yesterday as it warned that secondhalf net profits would be less than the FFr2.4bn (\$482m) recorded in the first six months of the year.

Industry analysts edged estimates for full-year profits down from about FFr4.8bn to about FFr4.5bn. Shares in the steel company fell FFr5.2 to FFr67.95. The decline was the latest setback for investors in the company. Europe's largest steel proFrench steel group slips 7% on second-half outlook

French privatisation issues to suffer a fall in its share price. having been sold to investors at FFr86 a share in the summer. Mr Francis Mer, chairman, blamed the downturn in the

group's performance on the deterioration in the economic environment, notably in France, and the impact of a transport strike which has disrupted supplies and sales. He said the group was running down its stocks in line with other European producers.

Addressing a shareholders meeting, the Usinor chief said that most of the group's activities activity and a deterioration in their performance. He added that prices for the group's products would decline below recent levels in coming months, with the exception of sales covered by

Mr Mer's comments will add to concerns about the slowdown in ment plans for rail and welfare reforms. Companies dependent on rail transport have been particularly affected by the 18-day transport strike which has paralysed the national rail system. The fall in Usinor's share price will also compound investors'

disappointment concerning long-term contracts. French privatisation issues over the past few years, most of which are trading below their offer the French economy and the price. The poor record of privatimpact of public sector strikes sation shares has clouded the

prospects for the sale of Pechiney, the aluminium group. which has seen its sell-off scaled down because of weak demand. Yesterday's shareholder meet-ing was called to approve the merger of Usinor with Ugine, its stainless steel division.

The plan, amnounced in September, involved the purchase of the 41 per cent of the stainless division not already owned by Usinor at an estimated cost of about FFr3.7bn. It reflects Usinor's strategy of focusing on high value-added activities and consol-

HK newspaper price war hits media sector

By Simon Holberton in Hong Kong

A price war has broken out among Hong Kong's tabloid newspapers, causing share prices in the colony's media stocks to

The price cutting was seen by analysts yesterday as a victory for Mr Jimmy Lai, the Hong Kong entrepreneur who launched Apple Daily, a Chinese language tabloid, in the summer. It is also a victory for competition in an industry whose owners usually agree the price of newspa-

pers among themselves. "This is quite unprecedented," said Mr Andrew Farrant of SBC Warburg, investment bank. "Hong Kong has never had a price war before."

Apple has become Hong Kong's number two selling paper, with sales above 300,000. It is threatening the supremacy of the Chinese language Oriental Daily News, with sales above 400,000.

Shares in Oriental Daily News, which started the price war on Saturday by cut-ting its cover price from HK\$5 to HK\$2. ended 16 per cent lower at HK\$2.675. Eighteen months ago, Oriental launched

Eastern Express, an English language daily, to compete with South China Morning Post, Hong Kong's most profitable newspaper. It recently cut its cover price to HES3 from HES5, after the Post raised its cover price to HES7 from HKS5. Apple Daily responded to the price cuts

by reducing its cover price by HK\$1 to HK\$4. It explained the cut as a Christmas present to its readers - suggesting it does

not expect the price war to last long. Shares in Hong Kong Daily News, a less popular Chinese language tabloid which yesterday cut its cover price to HK\$1,

Shares of Sing Tao, which publishes a Chinese language broadsheet of the same name, feil 16 per cent to HK\$3.50, while Ming Pao, publisher of Hong Kong's lead-ing Chinese language daily, fell 10 cents

to HK\$3.70. Mr Farrant estimated Oriental Daily News's price cut would cost it HK\$70m-HK\$100m (US\$9m-US\$13m) in lost revenue for the January to March period. This was a large loss of revenue for a company expected to earn about HKS400m in net

Developing a thirst for the real thing



Worldwide sales volume by region 1994 total, 11 8tm cases Canada 2%

Richard Tomkins reports on how the drinks group brings a smile to investors' lips

the typical price on a New York hot dog stand - is not a lot to pay for the world's best-selling soft

drink. But what about \$80 for one of the company's shares? Stock prices have been rising across the board in the US, but Coca-Cola shares have risen more than most. In the past three months, it has shot up about 25

per cent Coca-Cola is looking more like hot technology stock than a 103-year-old soft drink company. At \$80, the price at midday yes-terday, its shares are trading on a multiple of 34 times forecast earnings for the current year -

more than double the average of 16 times earnings for the Standard & Poor's 500. One reason for the premium is renewed enthusiasm for Coca-Cola's above-average returns. Since the company was floated in 1919, its shares have seldom dis appointed investors. Total

returns, comprising stock price appreciation and dividends, averaged 25 per cent a year in the five years to the end of last year. With dividends reinvested, a single Coca-Cola share bought for \$10 in 1919 would be worth \$3.8m

over the years, critics have often predicted that something would happen to slow Coca-Cola's growth - competition, market saturation or changing tastes. Each time they have been proved wrong. Even in the US, where the competitive pressures are strongest, Coca-Cola has continued to increase sales through clever marketing and new prod-

Recent surges in Coca-Cola's share price, however, have been driven more by excitement over the company's prospects for

Alberta bids C\$915m for Conwest

Is Coca-Cola too expensive? It depends on your point of view. Areuably. \$1 a can -Mr Michael Branca at NatWest

international growth than by events at home. Coca-Cola already derives about 80 per cent of its operating profits from sales outside the US, and the proportion is growing as its geographi-

cal expansion continues. With the vast new markets of China, India and eastern Europe opening up, the number of consumers within Coca-Cola's reach has rocketed from 2.2bn to 5.2bn in the past few years. Most of these consumers have barely begun to taste the pleasures of Coke, and investors are licking their lips at the thought of what will happen to Coca-Cola's profits when they do.

ther factors have affected the share price too. Mr Roy Burry, an analyst at Oppenheimer, the Wall Street securities house, says Coca-Cola's stock usually outperforms the wider market. For much of this year it was level-pegging with the S&P 500 because investors thought it would be hard-pressed to improve on the big increases in international volumes it achieved in last year's third and

fourth quarters.
In the event, Coca-Cola surprised the stock market with a 7 per cent increase in international volumes in its third quarter, and Mr Robert Goizueta, chairman and chief executive, predicted that the company would once again meet its long-term goal of 8-10 per cent growth in international volumes for the full year.

Yet the resulting buying spree has pushed Coca-Cola's share price well beyond the level needed to make up the ground lost earlier in the year, and Mr

Securities agrees: "We believe far enough for now. Mr Burry says Coca-Cola's shares normally trade at a pre-Coca-Cola is extraordinarily well mium of 50-80 per cent to the

wider market, well below the present premium of 113 per cent. "Coke stock never goes down rel-ative to the market - it's too high a quality and too low a risk. But it has reached a relative multiple at the high end of its range."

positioned to sustain very high quality, long-term, 18 per cent earnings growth. But we think those prospects are well discounted in the current stock Even so, neither Mr Burry nor

Mr Branca suggest that investors should sell the stock: and while the bull market in US equities lasts. Coca-Cola seems likely to hold on to its fans. As the company itself points out, with the world's strongest brand and the world's most pervasive distribution machine, it is probably better suited than almost any other business to benefit from the global market.

"At any point in time you are going to find people expressing concerns." Coca-Cola says. "But our view is that our stock price

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EUROPEAN NEWS DIGEST

Moulinex halves losses at mid-term

Moulinex, the French household appliances group, yesterday reported that its losses had halved to FFr121m (\$24.3m) for the six months to September 30. Turnover fell 3 per cent to FFr3.3bn, compared with the first half last year, even after sales generated by new products. The group stressed that only 40 per cent of turnover was generated during the first six months of the year.

Operating losses rose by a third from FFr62m to FFr99m, which Moulinex said reflected the negative net impact of exchange rates, the effect of strikes in its Normandy factories last June, higher raw material costs, increased advertising

spending, and the cost of launching new products.

The losses were reduced as a result of a sharp fall in interest expenses from FFr119m to FFr69m, reflecting a reduction in group debt. There were also exceptional gains of FFr52m from capital gains on divestment of assets, compared with exceptional charges last time of FFr77m generated by restructuring provisions

The group said turnover trends for October and November were encouraging, raw material costs were stabilising, and new products accounted for nearly 30 per cent of sales in the current year. But it cautioned on the uncertainty of consumption in Europe and of exchange rates.

Mobilfunk sales up 55%

Mannesmann Mobilfunk, Germany's leading private mobile phone operator, yesterday reported a 55 per cent rise in sales this year to DM2.7bn (\$1.86bn) and said it expected to have almost 2m clients next year.

The company is signing up about 60,000 new clients a month, an increase on monthly growth rates of about 50,000 earlier this year. Some 20 per cent of the company's clients were private users.

Mannesmann's D2 mobile phone network has about 1.4m clients, putting it level with DeTeMobil, Deutsche Telekom's mobile phone subsidiary which is its main competitor. E-Plus, a third German network launched last year, hopes to have picked up some 200,000 clients by the end of the year.

MMO said it had invested DM600m in its own telecoms network this year, bringing the total invested since 1989 to DM3bn. Mobile phone operators were given permission to build their own networks earlier this year, enabling them to become leading competitors to Deutsche Telekom, once all telecoms services are fully liberalised early in 1998.

The Düsseldorf-based company said it would increase its 3,000 strong workforce by about 20 per cent next year to service the growing demand for mobile telecoms in Germany, Michael Lindemann, Bonn

AVC Intressenter sells VOAC

AVC Intressenter is selling VOAC Hydraulics to Parker Hannifin, a US industrial group. AVC Intressenter is a holding company held 50 per cent by Volvo Aero, a unit of Sweden's automotive group Volvo and 50 per cent by Atlas Copco, the Swedish engineering company.

VOAC's 1995 sales are expected to be SKr1.2bn (\$180m). The price was not disclosed.

VOAC Hydraulics develops, manufactures and sells hydraulic components and systems for vehicles in construction, forestry and other industries. About 70 per cent of its sales are outside Sweden, mainly in Europe and North

It has three manufacturing facilities in Sweden, sales companies in 10 countries, and employs 980 people.

AP-DJ. Stockholm

Andrew Jack, Paris

Arbed sees profits advance for 1995 year

Arbed, the Luxembourg steel maker, expected its 1995 net profit to be higher than the LFr414m (\$13.9m) recorded in 1994 while the group's sales were seen rising 30 per cent from 1994's LFr205.7bn, said Mr Joseph Kinsch, chairman, agencies report from Brussels.

In an interview with the company's in-house newspaper, Mr Kinsch confirmed forecasts, made in September, of lower sales volumes in the second half.

"Despite lower volumes, the second half of this year confirms the rise in our 1995 results from 1994," he said, adding that the group was also keeping to its budgetary fore-

Flat product output was growing strongly because of integration in the Stahlwerke Bremen group but the long products sector was proving more hesitant", he added. The negative trend in pro-

duction volume of long products is partly due to a technical incident at a blast furnace at the start of the year, Mr Kinsch said.

He added that adapting the company's steel operations to the mini-mill type would be the principal task in 1996. along with improving the balance sheet structure and completing the integration of Stahlwerke in the Arbed

Mr Kinsch said the acquisition of a majority stake in German steel maker Stahlwerke Bremen had been reflected in better production and financial results in 1995. Since the integration of Stahlwerke Bremen, formerly Kloeckner Stahl, into Arbed's operations, production of flat products has increased 86 per

Other sectors that have seen strong production rises include stainless steel, copper sheets and engineering. Mr Kinsch noted that the ouly shadow at present was

that banging over its long

cent, the newsletter said.

products operation. The company swung back to profit in 1994 for the first time since 1991 and in July this year boosted its stake in Stahlwerke to 67 per cent.

Stora to build C\$650m plant in Canada

By Hugh Camegy in Stockholm

Stora, the Swedish pulp and paper group, is spending C\$650m (US\$473m) on building a magazine paper plant in Can-ada in one of the biggest investments by a European company in the North Ameri-

can forestry sector.
The plant at Port Hawkesbury in Nova Scotia, to come on stream in 1998, will produce 350,000 tonnes a year of uncoated "SC" paper used for magazines and advertising materials, a significant addi-

"It is a huge investment,"

said Mr Lars-Ake Helgesson, Stora's chief executive. "But we believe there is a window of opportunity right now in the SC market in the US and Can-

The move by Stora, Europe's third-largest pulp and paper group, is a rare foray into North America by European producers which have so far concentrated on the European market. However, it confirms an emerging inter-continental

tion for a grade for which annual consumption in the US Mr Helgesson said Stora was totals only about 2m tonnes. Mr Helgesson said Stora was attracted by the recent strong growth in North America for

uncoated magazine paper, which averaged 8 per cent a year between 1991 and 1994, in suite of a heavy downturn in the industry as a whole. Although demand has been much smaller than for glossy. coated "LWC" magazine grades, SC is up to 20 per cent

"We have seen strong market growth, we have seen high quality SC eating into the market for LWC paper and the

produce has not really been produced in the US to date,"

Mr Helgesson said. Worries that such big investments in new capacity may undermine prices have helped fuel fears of a new downturn in the industry, leading to a recent slump in forestry sector share prices, in spite of record profitability this year.

Yesterday's announcement. made shortly before the Stockholm stock exchange closed, prompted a slight fall in Stora A shares, which ended the day unchanged

"If the new plant comes on stream during a downturn, it's sad," said Mr Helgesson. "But that will not change our funds. mental outlook. We have to look at this in a long-term par-

spective."
The new plant, which will greatly expand Stora's existing pulp and newsprint making facilities at Port Hawkesbury is the second big investment in -new capacity appropried this year by the company. It is building a SKr3.1ba (\$466m) liquid packaging board plant in

The ups and downs of buying Belgacom

Finding a partner for the telecoms operator has not been plain sailing, says Emma Tucker

The final bids for a 49.9 per cent stake in Belgacom, the Belgian state telecoms operator, have landed on the desk of the flamboyant Elio Di Rupo, Belgium's communications minister, in what was described by one merchant banker as "a huge and unique transaction".

Huge, because Belgacom had been valued at BFr160bn (\$5.37bn) by Petercam, the Belgian consultancy, in 1991 even if some analysts believe this estimate might now be too

Unique, because Belgium is the first west European gov-ernment likely to complete the tricky process of choosing a strategic partner for its state telecoms monopoly.

Mr Di Rupo, government offi-cials, Morgan Stanley and Banque Degroof - the merchant banks overseeing Belgium's prize privatisation now have two weeks to select a winner if the government is to deliver its verdict before Christmas.

Two consortia remain shortlisted. Swiss Telekom with KPN, the partially privatised Dutch post and telecoms operator, and Ameritech, a US operator which recently announced it had joined forces with Singapore Telecom and Tele Dan-

mark to strengthen its bid. The carrot for the final bidders is a company at the centre of the European market, and home to a majority of the European Union's institutions. Brussels - the Belgian and European capital - is a prime location for the European headquarters of international companies and a springboard for possible expansion into the contiguous markets of western Germany and northern France. "Belgium's position in rela-

very important," said an industry source close to the KPN bid. "It would give the consortium a strategic toe-hold." On the down side, they have to contend with restrictive Belgian labour market laws -

which make redundancies near impossible - plus an unfunded pension liability of roughly BFr110bn which will stay with the company. In seeking a strategic partner for Belgacom, the Belgian

government has acted as a pioneer. The only previous attempt by an EU government - Greece - to sell part of its state operator to private investors ended in disaster. "It was an example of how not to handle a privatisation.

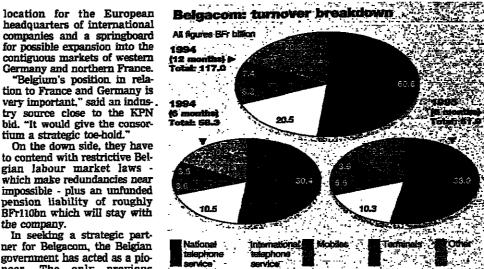
interference, there was a change of government, it was really pathetic," says a merchant banker. Greece's experience has not deterred the cash-strapped Belgian government which desper-

There was a lot of political

deficit to qualify for monetary union in 1999. But the deal will not only strengthen Belgian government coffers. The partner is also expected to haul Belgacom into shape ahead of full EU telecoms liberalisation in 1998.

Belgacom, assisted by Arthur

ately needs to lower its budget



D Little, is examining the technological and strategic nature of the bids, while a government commission is dealing

with the financial side. Nevertheless the Belgacom privatisation has had its ups and downs - the most notable down being when a British Telecommunications-Bell Atlantic consortium withdrew from a shortlist of three.

T's stated reason for pulling out was concern that the special status granted to Belgacom employ-ees - similar to that of civil servants - would lead to ugly scenes between management and unions when it came to cutting the workforce. Strong

trades unions represent more than 80 per cent of Belgacom's 26,500 employees.

However, a more likely reason was differences between BT and Bell Atlantic over the best way of providing Belgium's many multinational companies with access to international networks.

Their withdrawal left just the two remaining bids on the table. Apart from Beigium's good geographic situation the deal offers other temptations. For example, the scope for improved efficiency at Belgacom which, thanks to new local management, is only slowly shaking off its reputation for abysmal customer ser-

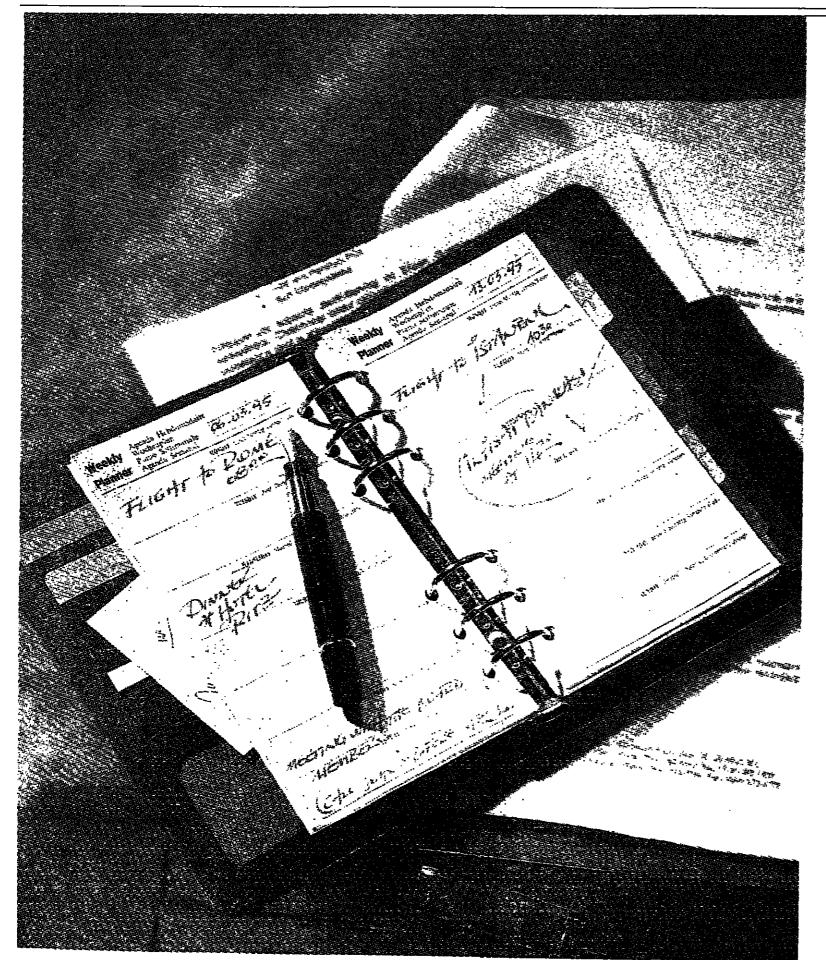
"There is a big margin," says Mr Erik Theyssens, telecoms analyst at Banque Bruxelles Lambert. He cites Belgacom's fleet of 7,500 vehicles whose maintenance costs run at RF14 per km, against BFrl per km for a big Belgian leasing company. Another target would be the company's 1,200 buildings.

n the labour market front the centre-left government, coping with unemployment levels of over 12 per cent, says it believes any problems can be resolved through careful negotiations by all parties. However, some doubts remain.

"Some people just didn't have the stomach to deal with the political issues," says a source close to KPN, who has some sympathy for the BT decision. The situation is very different in Belgium from Thatcher's Britain when BT had to make its large-scale redundancies.

As for the bids themselves, relative merits are strong on both sides. KPN-Swiss Telekom would bring obvious geographical synergies to Belgacom, but also has an international dimension through its links with Unisource, the pan European consurtium spanning Spain, the Netherlands, Sweden and Switzerland.

The Ameritech consortium brings international experience through participations in New Zealand, Hungary and Poland - and it has all the experience of liberalisation on the other side of the Atlantic.



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INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Banco de Santiago faces bid for shares

Trading in the shares of the Banco de Santiago, Chile's second-biggest private bank, was suspended on the Santiago stock market yesterday for one day, by the Chilean securities board, after information that a bid would be announced today for a large package of shares.

The bid was widely expected to be from either the Luksic group, or their partners, Banco Centrohispano (BCH), of Spain, or from the two together, possibly via their newly-formed joint venture, the O'Higgins Centro Hispano holding company. The Luksic group is the biggest single shareholder in Banco de Santiago, with 24.45 per cent, and is controlling shareholder with BCH in Banco O'Higgins, Chile's third-biggest bank.

The two have made public their interest in merging the two banks, provided they can negotiate an agreement with the minority shareholders. Ownership of the Banco de Santiago is highly dispersed - the second-largest shareholder owns only 2 per cent. Ms Ida Longeri, an analyst with Larrain Vial, a leading Chilean brokerage, said the Luksic-BCH group had a strong interest in expanding its stake and cutting the number of shareholders it had to deal with. Imagen Mark, Santiago

RJR and raiders in war of words

Mr Bennett LeBow and Mr Carl Icahn, the US corporate raiders trying force a break-up of RJR Nabisco, the food and tobacco group, yesterday stepped up their proxy battle by claiming the company had "an arid and bleak future" under its newly-appointed chief executive, Mr Steven Goldstone. RJR Nabisco described the suggestion as "simply bizarre". In a letter to RJR Nabisco's shareholders, Mr Bennett

LeBow's Brooke Group said Mr Goldstone had used the occasion of his appointment last week to express "his strident opposition to a spin-off" of the tobacco business, telling stockholders it was not possible before 1998. Brooke Group said that if Mr Goldstone's priority was to lift the stock price. he should be in favour of an immediate spin-off and an increase in the company's dividend. RJR Nabisco said Mr Goldstone had never expressed

strident opposition to a spin-off of Nabisco: in fact he had reiterated the board's support for such a transaction when it was "in the best interests of shareholders. Simply put, Mr LeBow wants control of the company in order to unload his poorly-performing tobacco company on RJR Nabisco's shareholders on terms that will only benefit him and his associate Carl Icahn," RJR Nabisco said. See International People Richard Tomkins, New York

Total's US unit cuts capacity

Total Petroleum North America is to reduce its refinery capacity and is to sell its Ark City, Kansas refinery or to transform it into a storage unit in 1996, said Total, the French oil group. Total Petroleum North America will take an after-tax charge of \$53m to cover the restructuring, which will appear under extraordinary items in the unit's annual accounts. The restructuring would reduce Total SA's 1995 net result by \$29m, the company said.

Philip Morris revamps food arm

Philip Morris, the US tobacco group, has restructured its international food business. Mr Louis Camilleri has been named president and chief executive officer of Kraft Foods International. The restructured Kraft Foods International will include four separate regional units - Kraft Jacobs Suchard Western Europe; Kraft Jacobs Suchard Northern Europe; Kraft Jacobs Suchard Central and Eastern Europe, Middle East and Africa, and Kraft Foods Asia/Pacific.

Bristol-Myers plans \$2.5bn cuts in next three years By Richard Waters in New York

Bristol-Myers Squibb, the US pharmaceuticals group, yesterday announced a further round of costcuts to bolster profit margins in the face of patent expiries due in the coming years. The moves are also aimed at providing a stronger platform for

The company's biggest-selling drug, apoten, loses its US patent in February, exposing it to generic compatitions. It is consistent to generic compatitions about \$1.2bn next year, from about direction of President Clinton's next year, with annual savings rising the compatition of the company's biggest-selling drug, and \$1.1-1.5bn next year, from about \$1.2bn next year, from about direction of President Clinton's next year, with annual savings rising the company is biggest-selling drug, about \$1.2bn next year, from about direction of President Clinton's next year, with annual savings rising the company is the company in the company is biggest-selling drug, about \$1.2bn next year, from about direction of President Clinton's next year, with annual savings rising the company is the company in the company is biggest-selling drug, about \$1.2bn next year, from about direction of President Clinton's next year, with annual savings rising the company is the company in the company in the company in the company is the company in the compa Capoten, loses its US patent in February, exposing it to generic competition. Meanwhile, despite the rapid growth of Taxol, a cancer drug, the company does not have as strong a pipeline of potential blockbuster drugs as some others in the industry. Taxol will also lose its patent at the

Yesterday, Bristol-Myers predicted ago in the face of slowing sales

\$1.5bn expected by analysts this year. The company predicted Taxol's sales would rise to \$750m in 1996, compared with \$410m in the first nine months of this year. The group predicted pharmaceutical sales of \$7.8bn for 1996.

While a number of US drugs companies moved to trim costs two years healthcare reform plans, Bristol-Myers has cut more than most.

In 1993, the company reduced its selling, general and administrative expenses - one of the main targets of cost-cutting - by about 13 per cent, though the figure crept up again the

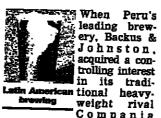
The next round of reductions will

to \$900m-\$1.1bn in 1997 and \$1.1-1.5bn in 1998. It will result in a restructuring charge of \$250-\$300m for the final quarter of 1995.

Bristol-Myers said the savings were intended, among other things, to release more resources for internal growth and to lessen the earnings dilution from future acquisitions.

Quality opposition restarts Peruvian beer war

A growing economy and Cervesur's dynamism make prospects bright, writes Sally Bowen



leading brewery, Backus & Johnston. acquired a con-trolling interest in its tradi-Compania

Nacional de Cerveza (CNC) in May 1994, it appeared the domestic "beer wars" - which had kept advertising account executives happy for years were at an end. But a new battle has broken

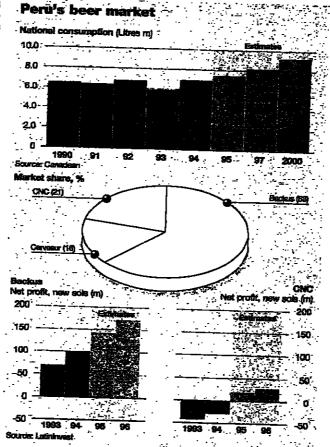
out. Aggressive advertising in the past few months has propelled Cervesur's "Cusqueña" brand beer, brewed in the ancient Inca capital of Arequipa and traditionally drunk throughout the Andean highlands, into the Lima market By November, Cusquena had captured almost 18 per cent of consumption in the capital (from 13 per cent at the start of the year) while Backus had hit

back, invading Cervesur's southern stronghold.

Peruvian breweries are, barring a small number of foreign investors through the Lima stock exchange, Peruvian owned. Imported beers are a rarity. The Backus Corporation dominates the market with Cervesur offering the only genuine competition. Combined beer sales this year should top \$400m, with Backus accounting for 63 per cent of total revenue, CNC for 21 and Cervesur for 16

As in many Latin American countries, Peru's executives and the upwardly mobile prefer their alcohol in the form of whisky. But for the lower income groups, no gathering turns into a fiesta unless the beer flows freely.

The outlook for breweries is



brighter than for years. The economy is booming and disposable income is on the up. Although Peru's 12.9 per cent GDP growth last year has moderated to a projected 7 per cent for 1995, economic expansion is now expected to level out at about 6 per cent until the end of the century.

Beer consumption, however, is low by continental standards: Peru's annual 32 litres per capita (down from a his-

toric peak of 43 litres a head in the brief 1986-87 consumer boom) is well below Mexico's 50 and Brazil's 40. Compared with Venezuelans and Colombians, who down 80 and 60 litres respectively per person per year, Peruvians have a lot of catching up to do.

We consider the prospects for growth very good," says Mr Carlos Bentin, chief executive of Backus & Johnston. He says his company has invested

\$250m over the past five years in expansion.

The \$135m Backus paid for a 64 per cent controlling stake in CNC last year looked inflated, even for a long-established company with a respected brand. But injudicious spending on advertising combined with technical problems at the elderly plant had pushed CNC

to the verge of collapse. The Backus move, however, pre-empted other anticipated bids from Argentine and Colombian breweries looking for a toe-hold in Peru. It also gave Backus about 87 per cent of the

domestic beer market. Eighteen months later, Mr Bentin says his board is well pleased with the buy-out. There is plenty of room for expansion: Backus is currently operating about 67 per cent of installed capacity, CNC at 60 per cent

Beer sales are estimated to have risen 12 per cent this year and analysts predict average growth of close to 7 per cent for the 1996-2000 period. On 1995 sales of about \$250m, Backus should post profits of about \$57m, 24 per cent higher than last year. CNC hopes for 1995 sales close to \$90m (from \$74m last year) and profits between \$12m and \$15m

Meanwhile, Cervesur expects 1995 sales to top \$65m, giving profits of about \$14m, after last year's \$8m. Next year, the company is expecting further sales growth of 15 per cent-plus.

Earlier this year, Cervesur inaugurated, with all due pomp, a major expansion af its Arequipa brewery. It boasts state-of-the-art technology and a superior and well-differentiated product which, unusually in the Americas, is produced with barley alone and no added

nearly a century - and there have been some pretty bad times", says Mr Andres von Wedemeyer, Cervesur's chief executive. "For years, price controls prevented market segmentation. But now we have the chance to go for the premium sector and we're really

here is nothing stuffy or traditional about Mr von Wedemeyer or his business strategy. "Leveraging is almost obligatory today," he

competing."

Cervesur had planned an ADR for January: the Mexican peso collapse and the blow it delivered to international investor confidence put a swift end to that plan. But Cervesur responded by coming up with by far the largest - and most successful - local currency cor-porate bond issue in Peru. Backus, meanwhile, has put

earlier ADR plans on hold. In what executives call a period of consolidation, the strategy is to maintain their Cristal brand, market leader by a wide margin, at the top of the tree with Pilsen Callao, CNC's bestseller, as the number two. For its part, Cusquena would be happy - for now - with 20 per cent of national consumption.

A lid has been kept on expansion of beer consumption by a punitive - although supposedly extraordinary - sales tax. According to Mr von Wedemeyer, accumulated taxes add almost 142 per cent to the end price of Peruvian beer. And, says Mr Bentin, "that's the highest tax paid anywhere in the world".

This is the fifth in a series. Previous articles appeared on November 24, November 29, December 6 and December 8

JP Morgan in Travelers insurance investment

By Richard Waters

J.P.Morgan is to invest \$200m in the new property/casualty insurance company being created by Travelers. It is one of the biggest private equity investments yet made by the US bank.

J.P.Morgan's planned stake is also the latest indication that a range of investors from outside the insurance industry are looking to invest in it. Private equity funds, including one run jointly by J.P. Morgan and Marsh & McLennan, have earmarked substantial amounts of capital to buy troubled insurance companies.

The investment announced yesterday, which will give the bank a stake of 3 per cent, is being made by Morgan directly, rather than through the fund. The stake matches a previously-announced investment in the new company by Aetna, the US insurer.

The company will be created from the property-casualty businesses of Travelers and Aetna, which has agreed to sell its operations to Travelers for \$4bn.

Travelers said it expected Morgan's investment to be the last large private stake to be taken in the new company. The remaining \$900m of equity the bank has said it plans to raise to help finance the purchase from Aetna is likely to come through a public listing for the new company's shares. in the spring. Morgan's income from sales

of investment jumped from \$306m in 1993 to \$663m in 1994, when other earnings came under pressure.

Fortis: excellent results = higher forecast

Fortis in the first three quarters of 1995 again tecorded excellent results. Net profit rose by 14% to ECH.
469 million. Total income increased by 6% and operating result rose by 34%. His is mainly attributed to
favourable developments in insurance and banking activities in the Benefut. On the other hand the result
from health insurance in the United States rell more sharply than expected. Exchange take fluctuations
have, on balance, hardly affected Fortis results in ECU.

Fortis key figures first three quarters 1995

an EQU million)	1995 1984	% Increase
Operating result	469.0 411.0 717.8 535.8 12,693.4 11,979.7	34
	30-09-1995 31-12-1994	
Net equity Belance sheet total	4,837.3 4,288.8 110,663.2 103,497.2	

- 1 ECU = 0.82 Sterling

	Key figures parent companies first three quarters 1995			
	Fortis AG (in BEF") 1995 1994	Fortis AN 1995	IEV (in NLG") 1994	
	Earnings per ordinary share 230 231	7.18	6.56	
	20-09-1995 31-12-1994 Equity per ordinary share 2.358 2.138	30-09-1995	31-12-1994	
- 1	2 138	92 01	75.07	

On the basis of the excellent results for the was rane morture of the year, notice has increased its profit forecast. For 1995 as which if now expects a rise in the net profit of at least 12%, barring unforeseen circumstances and sharp fluctuations in exchange and interest rates. On the basis of Fortis increased profit supportation, Fortis AMEV and Fortis AG now expect earnings per share for 1995 as a whole in the clearly higher. the for the first nine months of the year, Fortis has increased its

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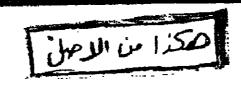
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In accordance with the conditions of the Notes, notice is hereby given, that for the three month period 8 December 1995 to 8 March 1996 the Notes will carry a rate of interest of 6.9125 per cent per annum with a coupon amount of \$1718.68.

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INTERNATIONAL COMPANIES AND FINANCE

HSBC shakes up insurance side

in Hong Kong

The Hongkong and Shanghai Banking Corp said yesterday it planned to reorganise its insurance activities in the Asia-Pacific region in a move that will see the virtual disappearance of the Carlingford and Lom-

The bank said the reorganisation would simplify the management of its insurance business and facilitate continued expansion. In keeping with the

bank's policy of branding its subsidiaries with "HSBC", all but one of the insurance company's operating companies will drop their old names.

As part of the shake-up, a new subsidiary, HSBC Insurance (Asia-Pacific) Holdings, has been created. This sits above HSBC Non-Life Holdings, previously known as Carlingford Lombard Holdings. which will own the group's five operating companies in nonlife insurance.

Mr Simon Brett, who was

chief executive of Carlingford Lombard, has been appointed chief executive of HSBC insurance (Asia-Pacific) Holdings. He will report to Mr David Eldon, chief executive-desig-

nate of Hongkong Bank. Mr Brett said insurance was becoming an increasingly important business for the HSBC group. The reorganisation would ensure that the business rested on a firm base. with effective control, investment and credit-risk mecha-

"Within the Asia-Pacific region, our identity and manement will enable us to grow by drawing on Hongkong Bank's strengths and distribu-

tion network," he said.
"We intend to expand insurance sales both within Hong Kong, where we are an important force in the industry, and in south-east Asia, where the bank continues to expand, particularly in the retail sector." Mr Kenneth Kwok succeeds Mr Brett as chief executive of HSBC Non-Life Holdings.

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Colony's utilities under pressure

Energy groups need to raise their long-term appeal to investors

ong Kong's energy utilities have undoubtedly known better times. Their list of woes include a slowing domestic economy and the migration of large power-consuming manu-

facturers to cheaper pastures across the border in China.

In addition, on the home front, consumer bodies are starting to call for greater regulation, particularly in the form of curbs on gas tariff hikes while China is not proving to be such a congenial home for investment because of an absence of government guarantees on a range of issues, including foreign exchange availability.

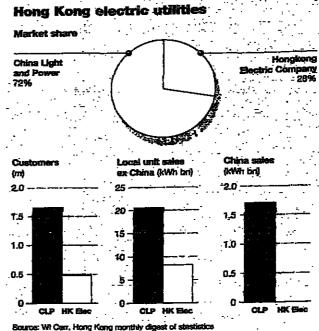
Investors, responding to warnings from China Light and Power (CLP), the colony's biggest electricity supplier, that core business growth was slowing and capital expendi-ture of HK\$1.8bn (US\$232m) being delayed, have been sell-ing down CLP and the other

Under a government agree-ment CLP's permitted return is pegged to its average net fixed assets, so earnings reported by CLP (as is also the case with Hongkong Electric) are heavily dependent on capital expendi-

Delaying expenditure delays earnings, so analysts have also been busy, cutting CLP 1996

earnings forecasts.
Although it was CLP which started ringing alarm bells, the problems are not peculiar to it. Hongkong Electric, which supplies electricity to the island and will next year book its final (in the near term at least) profits from property interests, also faces slowing consumption, although there will be some growth from the new developments on the reclaimed areas of Central and Wan Chai.

Growth at Hongkong and China Gas, which produces, distributes and markets gas appliances in the colony, is dependent on the number of new apartments being built, but the group also faces a cap on profitability. This summer the Consumer Council called for regulations to be imposed on Hongkong and China Gas, and analysts believe an "infla-



tion minus x" formula curbing tariff hikes is on the cards. In response to the restrictions in the home market, the utilities are looking to projects elsewhere in Asia. CLP, for example, is planning to partici-pate in a 1,000MW project in India. The utilities' substantial land banks also offer potential revenue opportunities. CLP, which realised a capital profit down stairs. of HK\$1.3bn from a property

sale in the financial year to September 30, has around 8,500 sub-stations, many of which are old and ripe for redevelop-China is the most obvious market to explore. Already it accounts for 40 per cent of CLP

output; it is also home to CLP's biggest potential investment, a 3,200MW joint venture project in Shandong province. The total estimated cost is around HK\$2.5bn. and success could guarantee other China projects

down the line. But this project, like others, remains hostage to government guarantees or ways of minimising credit and currency risks to the satisfaction of bankers.

Hongkong and China Gas has three joint ventures in the relatively better-off Pearl River Delta area. These projects, to build gas plants and a gas distribution network, tie in with property developments under way by Henderson Land, Hongkong and China Gas's largest shareholder, and will target Guangdong's upper echelons those no longer willing to haul great cylinders of gas up and

ongkong and China Gas, which is now the only utility not subject to a scheme of control in Hong Kong, is likely to find the mainland government - which is keen to control the amount of profit foreign companies are able to earn - less accommodating. Analysts reckon the two biggest projects are unlikely to break even this century. In the interim, proptake up the slack from slowing growth in the core area of busi-

ness in Hong Kong. Hongkong Electric has taken an altogether softer approach to China: it is involved in a purely consultancy role, partly because of Mr Li Ka-shing's reluctance to see Hongkong Electric heavily geared. But Ms

Alice Hui, analyst at W. L Carr in Hong Kong, says it may be going many steps further.

She predicts a merger between CLP, which is the monopoly supplier of electricity to the populous Kowloon and the New Territories, and Hongkong Electric, which supplies Hong Kong island, after the handover of sovereignty in July 1997. This would be followed by a joint purchase of

nuclear power from China. Her theory, rejected by both companies, would yield both economic advantages, including economies of scale on power production, fuel savings and increased supply security and lower growth in future tariffs resulting from big cost savings on land costs, and political dividends for the future masters

Other analysts are not convinced of this scenario, but Ms Hui argues it is technically feasible, given existing interconnection on the two systems, and the growing links between the two giants: Michael Kadoorie, senior vice-chairman and leading shareholder of CLP, is now a non-executive director of Hutchison, the conglomerate controlled by Mr Li Ka-shing which has an effective 34.6 per cent interest in Hongkong Electric. CLP has already partnered Cheung Kong, Mr Li's flagship, in prop-

erty ventures.
"We are talking about an irresistible development in the coming years," she says. "We believe that the recent confirmation by Sir Sidney Gordon, CLP chairman, that CLP might participate in phase two of the Daya Bay nuclear power station in Guangdong both as a 🗳 equity partner and as a buyer of electricity, underlines the likelihood because it makes sense to merge the two and lower the rate of growth in tar-

While Ms Hui's masterplan theory may be a little too radical for many in Hong Kong to swallow, most analysts agree the utilities will have to stretch their horizons if they are to have any longer term appeal to investors.

Louise Lucas

IFC announces \$290m loan package for Thai finance group

The International Finance Corporation (IFC), part of the World Bank group which lends to the private sector, has announced a \$290m loan package for National Finance and Securities Corporation of Thailand, its largest-ever financing for a financial institution.

The loan includes a \$250m, three-year revolving syndicated loan bearing a margin of 0.725 per cent and a commit-ment fee of 0.25 per cent that was increased from an original \$150m because of heavy overbankers said.

Other elements comprise a \$30m six-year term loan and a \$10m convertible debenture issue subscribed by the IFC. National Finance is an

investment company that will lend the funds on to small and medium-sized companies which are playing an increasingly important role as suppliers to exporters in the motor, electronics and machinery

sectors. It was founded by the Siam Commercial Bank which still owns 11 per cent of its capital. Like other Thai

subscription, participating finance companies it has met resistance to longer-term financing in the international loan

> The syndicated loan is a bullet transaction, which means there is no amortisation period. Besides the IFC, it was led by BA Asia. Société Générale Asia and Bank of Nova Scotia Asia which is acting as agent.

Lead managers subscribing \$10m or more will receive a participation fee of 0.35 per cent. Fees for lesser subscriptions range down to 0.175 per cent for managers contri-buting \$3m.

BHP shuts down facility after mishap

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, said yesterday that it had shut down its Jabiru Venture float-ing production vessel in the Timor Sea after an incident on Sunday during which about eight barrels of oil were spilt.

The incident happened in the morning, "when a submerged buoy supporting subsea flow lines broke its moorings and unexpectedly rose to the surface. The light crude which leaked was monitored until it broke up in the swell caused by local cyclones," BHP said.

European Investment Bank **Italian Lira 200 Billion Floating Rate Notes**

sijan Lira 300 Billion **Floating Rate Notes** due March 1996

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INTERNATIONAL COMPANIES AND FINANCE

Foster's targets Mildara with A\$482m bid

Foster's Brewing Group, the Melbourne-based beer company, yesterday moved to diversify its Australian interests by launching a A\$482m (US\$355m) takeover bid for Mildara Blass, the largest of the independent winemakers listed in Australia

Mildara, which is also based in Melbourne and best-known domestically for its Wolf Blass labels and for the Black Opal/ Black Marlin/Black Silk brands in the US, said it would ask an independent expert to report on the offer, and advise share-However, although the Fos-

was pitched at a 22 per cent premium to Friday's closing price for Mildara, the winemaker's shares rose slightly beyond the offer price. They ended the day at A\$7.85, although most analysts seemed to feel the Foster's offer was fairly bitched

The bid is the first significant acquisition move by Foster's since it sold its Courage brewing business in the UK to Scottish & Newcastle for £425m (US\$649m) earlier this year. In recent years, Fos-ter's has also been disposing of a wide range of non-core assets, using the proceeds to pay down debt.

the company has been saying recently that the restructuring is now largely over. Once these final sales are factored in, it is largely ungeared and thus feels able to expand. The purchase of a domestic

winemaker tallies with the future strategy for the group which Mr Ted Kunkel, chief executive, has been out-He has talked about broadening the group's activities in

Australia, through moves into

the leisure industry and non-

beer beverages, as well as international brewery expan-

assets are still up for disposal, industry lunch, Mr Kunkel was -asked specifically if wine could be an expansion area for Fos-ter's, and he said it was something the group would have to

Yesterday, Foster's chief executive added that the Mil-dara deal would give his company "good growth prospects in a related business". The ng Mildara management would remain and run the business as a new division of

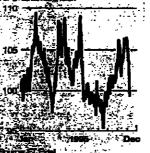
Mildara itself has been an acquisitive company in recent years, baying up a number of brands in the 1980s and merg-ing with Wolf-Blass in 1991.

A\$44m in a rights issue, and Mr Brian Healey, chairman and also a Foster's director, stressed that the company was

Mildara's sales growth has been strong recently, despite the slower trading environment, and in the year to end-June, it saw a 29 per cent rise in after-tax profits to A\$23.1m. Many analysts have favoured the company because of its good US sales presence and fairly secure grape supply arrangements - a big problem for some Australian wineries. Mildara itself has talked of an annual earnings per share

still on the acquisition trail.

day it did not see Mildara making a meaningful contribution to FBG earnings until 1996-97, assuming the deal closes in February.



growth target of 10 per cent. Gencor celebrates centenary with surge of energy

The South African group is reaping the benefits of a more international outlook, writes Kenneth Gooding

encor is behaving in a very sprightly manner for a corporation that this year celebrates its 100th birthday. Last month it signed two big deals in three days, and there is more to come.

Mr Brian Gilbertson, chairman of the South African natural resources group, makes no secret of what tops his list of priorities. That issue is how to link Alusaf, the aluminium producer in which Gencor has a 41 per cent stake, with the bauxite and alumina operations of Billiton, a wholly owned subsidiary.

Bauxite and alumina are essential raw materials for aluminium production and Mr Gilbertson says: "If it was all in the same business it would be a very attractive business. Very cost competitive. All the companies that would be in the integrated business have good cash flows. Even at low prices they generate cash."

One obstacle was cleared away in August when Gencor agreed to pay US\$75m to fhe Royal Dutch/Shell group for the 30 per cent of Billiton on which Shell had an option.

Mr Gilbertson suspects that Alusaf shareholders would not be averse to their company merging with the Billiton operations to form the world's fifth largest integrated aluminium group, 'I feel they might

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Gencor to own the whole of the aluminium business. As well as the public shareholdings, this would also involve buying out Alusar's other two big shareholders, Escom, the elec-tricity supply group with 8 per cent, and the South African Industrial Development Corporation, with 33 per cent.

The two deals signed in

November were also strategically important for Gencor One had been widely expected because it made such good industrial sense and first details were given in June. This was the agreement to merge Gencor's platinum interests with those of Lourho, the UK-based conglomerate, to form the world's biggest platinum producer, using Impala as the vehicle. Gencor is swapping 46.5 per cent of a company producing 1m ounces of plati num.a year for 32 per cent of one with an output of 1.5m

However, the other deal came out of the blue and was unprecedented in the long history of the South African gold industry. Gencor sold its interests in four gold mines to Randgold. In fature its South African gold division will concentrate on operations in the Evander and southern Free

State areas.
The new management feam at Randgold made the first



Brian Gilbertson: Gencor still burdened with exchange controls

It was not always so. Less than 10 years ago Gen-cor was an unwieldy, bureaucratic conglomerate whose performance and rating were so poor that desperate institutional shareholders drafted in Mr Derek Keys in mid-1986 to give the business a thorough overhaul. He proved to be a good choice. When he left to become South Africa's finance minister five and a half-years later, Gencor was a successful, entrepreneurial, decentralised group and its rating had improved substantially.

But it still suffered from the disadvantage that plagues most conglomerates - its shares were trading at a big

discount to net asset value. even a 30 per cent discount at some times. As the group was valued at about \$5bn this was a huge sum shareholders were not seeing. "We somehow are destroying shareholder value," Mr Keys would say despairingly to his fellow directors.

He floated the idea that Gencor should unbundle but this proved to be impossible during his time at Gencor because of tax complications. Eventually the fiscal legislation was changed and Gencor, not without some trepidation on the part of some directors, unbungled in 1998 to create a focused mining company.

According to Mr Gilbertson,

that released a surge of energy among managers. It has been a huge success. The min-ing business we were left with is now worth more than the original group. Gencor now trades at a premium to asset

value." building blocks in Gencor's transformation. In South Africa in the past two years it built some world-class businesses, one through the platinum merger, another by increasing its shareholding in the Richards Bay Minerals mineral sands business so that it is now in 50-50 ownership with RTZ of the UK, and thirdly by merging Trans-Natal Coal with Rand Mines, two companies that made a perfect fit, to form lngwe. "That deal leap-frogged us from being good to being world class in the coal business."

Gencor also took a one-third interest in the R3.5bn (\$954m) Columbus stainless steel venture, and in Alusaf's audacious R5.5bn project to build one of the world's biggest aluminium

This showed great faith in South Africa's future but, like Mr Keys before him, Mr Gilbertson saw the need for Gencor, which had most of its assets in that country, to become more international. As he saw it, this was an absolute necessity if Gencor was to compete effectively with other min-

During South Africa's apartheid years Gencor geologists could not even visit most of the countries where the best mining opportunities were to be had. When the political environment changed there were some talks with Lonrho that came to nothing but then Gencor became aware that Shell might sell Billiton. It was

a highly complex deal, partly because of South Africa's tight exchange control regulations, and took a year to complete. Those exchange controls are still burdensome. Mr Gilbert son says Gencor missed out on another attractive deal because it could not get the cash together fast enough. Obviously Gencor for the time being has no intention of pausing for breath even if trying to weld its aluminium interests together takes top priority.

Analysts are enthusiastic about the transformed Gencor although they point out that the group was lucky with the timing of the \$1.1bn Billiton deal and start-up of the Alusaf smelter, both completed just in time to benefit from a sharp rise in the aluminium price. Most of its other ventures have also had remarkably smooth

"Gencor has a small manag ment team," said one analyst, "and, although it is an impressive team, it is fully stretched at the moment. I wonder how it would cope if something went badly wrong."

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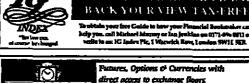
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right at Europe's edge. And at the center of the rapidly changing regions vital to Europe adjacent to it. That country is Turkey.

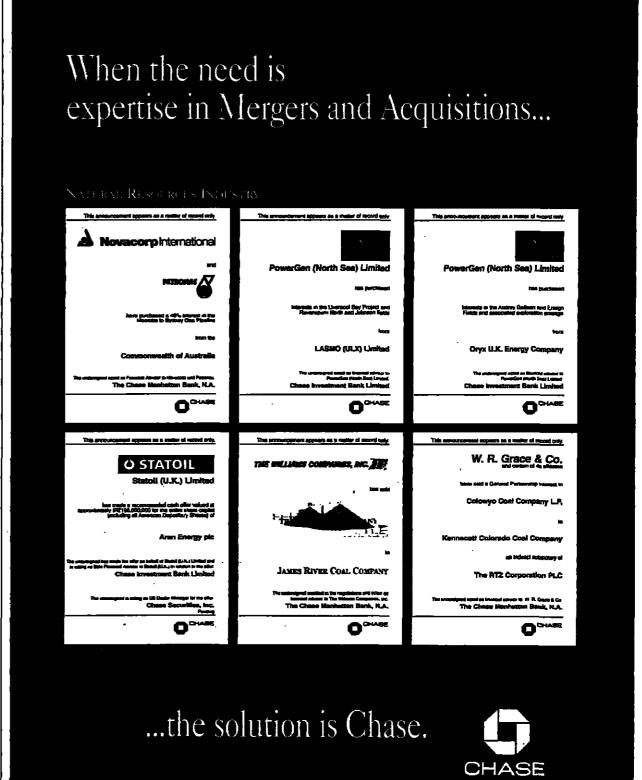
There is a European country

story. Turkey is becoming a prime center for investment, joint ventures, trade and financial services. Turks are lively, venturesome people. With their history, cultural variety and outlook, it should be no surprise that Turks choose to be Western. They are Western... with their own special flair. We, as the Turkish Exporters Assembly, support all governmental, institutional, national and international efforts for Turkey's Customs Union relationship with the European Union

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So, when the time comes... vote for Europe's Turkish Europeans... vote "YES".





Ranks .

THE Markets, Inc.

Grid stakes sale raises £376m awards big

By David Wighton and Antonia Sharpe

North West Water and Scottish Power sold their combined stakes in the National Grid for £376m (\$594m) yesterday as official trading in the transmission network's shares opened. The disposal, handled through a bookbuilding process by brokers Dresdner Kleinwort Benson and UBS, held back the Grid price which closed at 209%p, valuing the company at

As a result, institutional investors are set to receive an estimated £400m-worth of tax credits on their shares in the Grid, which has been demerged by the 12 regional electricity

Because the demerger is being treated as a dividend distribution, pension funds and other institutions which are tax exempt will be able to claim 524p per share from the Inland Revenue. Non-tax-paying private shareholders and those who hold the rec shares in personal equity plans will

Top-rate tax payers will face a 524p bill on each share. However, the sums will be

less than had been expected because of the subdued closing price which forms the basis of the calculation. The closing price also determines the capital gains tax bill faced by the recs. Analysts said the moves by North West Water and Scottish Power had enabled them to realise a good price for their shares while depressing the market price and so minimis-

The bookbuilding was successfully completed yesterday at a price of 208p, realising £208m for North West Water and £168m for Scottish Power before the brokers' undisclosed

Southern Company of the US sold 25m of its holding of 108m shares to SBC Warburg for sale to institutions The City had been expecting

early sales by some of the five

recs which have retained their

Grid holdings. This group, which must sell their holdings within 12



David Jefferies, Grid chairman: worth £3.65bn after first day

Electric and four of the recs which have been taken over: Norweb (acquired by North West Water), Manweb (by Scottish Power), South Western Electricity (by Southern Com-

protective coating for X-Ray

Earnings per share rose 37

per cent to 27.4p.

The dividend, which is cov-

ered 2.7 times, is raised 10 per cent to 10p via a final of

pany) and Eastern (by Hanson). The early sellers are able to tap into demand from index funds which have to buy the stock because it has gone into the FT-SE 100 index.

API at £8.4m helped by purchases and new products

By Christopher Price

Full year pre-tax profits at API increased 19 per cent from £7.01m to £8.35m (\$13.2m) as the packaging and coatings group benefited from new products and contributions from acquisitions

Turnover for the year to September 30 rose 31 per cent to £104m. Operating profits rose 28 per cent to £8.44m, including £740,000 in the second half from three acquisitions made earlier in the year.

The increase came despite a decline in group margins from 8.5 to 8.1 per cent.

Mr Michael Smith, chief executive, said paper, board, polyester and film costs had risen by half during the year: We hope we have seen base material prices peak, and the rate of increase has now begun

In the foils and laminates division, operating profits rose 38 per cent to £6.5m on sales also 38 per cent higher at £70.3m.

Cost savings and increased volume offset higher raw material prices, enabling margins to be maintained at 9.3 per Profits in the converted

films, paper products and office consumables business rose 15 per cent to £3.7m, with sales 24 per cent ahead at Mr Smith said the outlook

for the current year was encouraging, with new invest-ments allied with easing raw material price rises pointing towards an improved performance. New areas include paper metallisation, with the opening this week of a new 28m plant. API has also signed a deal with Polaroid to make

JFB back in black with £5.8m

Johnson & Firth Brown, the specialist engineer, yesterday announced a return to profit amid strong demand for commercial vehicle components and steel castings. The company, hit last year by heavy restructuring costs and losses on disposals, rebounded with pre-tax profits of £5.82m in the 12 months to September 30,

Mr David Hall, chief executive, said the improvement was fuelled mainly by UK subsidiaries making forgings, castings and rings for its Firth Rixson division. However the division had been hampered by manufacturing problems in the US, where the flat aero-engine market and failure to pass on raw material price rises contributed to undisclosed trading losses.

Goldman Sachs pay increases

By Nicholas Denton

Goldman Sachs, the private US investment bank, has set the tone for remuneration in the City by nearly doubling performance-related pay on average in awards to be announced to

In London, Goldman's 33 partners and 20 high performing staff are expected to receive more than \$1m each, in addition to their basic salary. Bonuses at Morgan Stanley, another US investment bank which leads the pay season with a November year-end, are also expected to be up when

The awards underline the recovery in investment banking profits after the setback to the industry which followed the raising of US interest rates in early 1994 and consequent fall in bond markets. They re-establish investment banking's reputation as the highest pay-

Morgan Stanley and Goldman have both been lifted by a record level of acquisition activity in the US and Europe, which has generated high fees for advisers

Despite the recovery, bonuses at Goldman are still below the level of 1993, when

earned \$1m in performance-re lated pay. Then, administrative and support staff received a bonus of 30 per cent of basic salary, against 8 per cent in 1994 and 20 per cent in 1995. Partners will not enjoy an

immediate bonanza. They, unlike staff, take their share of profits in a credit to their "capital accounts". It bears interest but the accumulated pay can only be cashed in when a partner retires. This structure contributed to the large number of resignations from the partnership at the end of 1994, when poor profits had raised some partners' concerns about Golduan's prospects.

memorandum last week, also told staff it would differentiate more strongly between individ-uals in determining pay in order to steepen incentives. But it said that individual performance would include the ability to work in a team and enhance others' work.

Goldman, also said the firm stood by its principle of ment banks, profitable activiacquisitions in 1995 or trading in 1993, subsidise less well per-

Carclo rises 12% despite destocking

Carclo Engineering Group, the specialist steel and industrial wire manufacturer, yesterday reported a 12 per cent increase in first half profits despite signs of destocking among some industrial customers,

writes Tim Burt. Mr Ian Williamson, chief executive, said the figures would have been better, had it not been for a disappointing performance in the general engineering division. The division was hampered by changing product specification for control cables and destocking

Its lower contribution was more than offset by increased profits in the Lee steel division and the wire division.

Mr Williamson, recruited earlier this year from BBA Group, said this division was enjoying the benefits of last year's rationalisation, which involved the closure of its Belgian plant.

He hinted at further rationalisation following the group's recent £4.3m acquisition of Ashworth Brothers, the US card clothing business, which should enhance its presence in the North American market.

LEX COMMENT

Allied Domecq

Affled Democq

Share price relative to the FT-SE-A Ali-Share Index

If Allied Domecq shareholders were to present incoming chairman Sir Christopher Hogg with a Christmas wish list, they should ask him to do three things: to prise open the group's inwardlooking culture, overhaul its spirits arm and get shot of the disastrous Carlsberg-Tetley brewing joint venture.

Investors certainly have grounds for complaint. After a great deal of sound and fury - there have been transactions worth £2.5bn in four years, including the purchase of Domecq spirits and the sale of Lyons foods underlying profits in 1996 will be virtually the same as in the past two years. The shares have underperformed the market by almost 40

Goldman, in an internal

Mr Jon Corzine, chairman of "mutual support". At Goldman ties, such as mergers and

1991. The strategy of focusing on retalling and spirits still looks sound, but timing has been poor. Growth in world spirits markets has slowed sharply. Domecn's profits are being hit by the Mexican peso's devaluation and the disposals will dilate earnings by about 5 per cent. Allied's spirits arm lags being the Scores in accessing and critical and Crimental and Criment rivals like Seagram in aggressive cost-cutting and Guinness in powerful distribution. In the retailing division, outlets fike Dunkin' Donuts have little in common with UK pubs. Carlsberg-Tetley has turned in the worst performance of all the big

Jul 91 92

Not all of this is the management's fault. Nor can it be put right overnight by a new chairman. But a look at Allied's board, almost all of whom are homegrown, suggests a need for fresh ideas to release the group's undoubted potential.

per cent since the present management team took over in July

UK side behind fall at Airtours

By Scheherazade Daneshkhu Leisure Industries

Mr David Crossland, chairman of Airtours, the UK's second largest tour operator, said yesterday he expected the UK holiday market to contract by 15 per cent next year from 10m to 8.5m holidays sold. Mr Crossland said he exper-

ted the price of UK holidays to rise by 8-10 per cent next year. He was speaking as the company reported a 22 per cent fail in pre-tax profits to £59.1m (\$93.4m) for the year to the end of September.

The decline was less steep than investors had feared Airtours issued a profits warning in the summer saying profits could fall by up to 25 per cent. The shares rose 22p to 358p. In its first full-year contribution, the Scandinavian Leisure Group, bought in June 1994 for £80m, contributed profits ahead of expectations at

This, and Mr Crossland's commitment to reducing Air-tours' capacity by 15 per cent, pleased the market.

Mr Crossland said that Air-tours, which bought Sunquest, a Canadian tour operator in August, was a broadly-based group of companies. It was continuing with its strategy to increase earnings from outside the UK to match those domestically and would continue to search for investments over-

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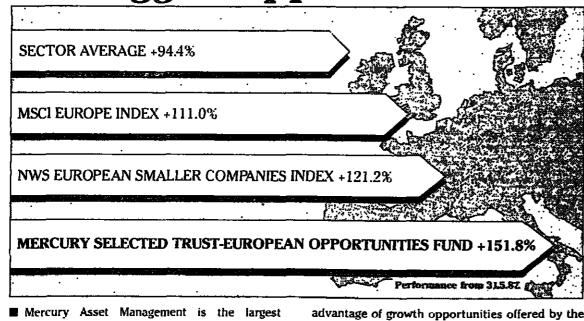
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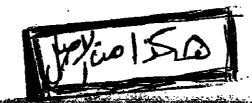
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COMPANY NEWS: UK

Kvaerner angered by Italian acquisitions help Indonesian Amec fear | Kenwood advance 24%

By Andy Taylor and Peggy Hollinger

Kvaerner, the Norwegian industrial group stalking UK construction company Amec with a £360m (\$570m) hostile bid, yesterday reacted angrily as the British government confirmed it had received a letter from the Indonesian administration expressing fears over the potential takeover.

Kvaerner believes the approach by the Indonesian government has been orchestrated by Amec. "It is scandalous that Amec's management is trying so blatantly to influence the British government to

The letter, from Mr. Jusuf Habibe, the Indonesian research and technology minis-ter was sent to Mr. Michael Heseltine, deputy prime minis-ter. The Cabinet Office said-yesterday it was attending to

attack on Amec's defence docu-ment, which was published last week. Mr. Eric Tosseth, chief executive, said sharehold-ers should be scentical of

interfere and prevent Amer's Amer's claims that profits shareholders having the choice would rise substantially in to decide whether to accept our 1996, given the company's poor 1996, given the crampany's poor forecasting record, its failure to forecast the level of carnings for next year, and the past profits trend. Every year there has been

been taken on a course of

Every year there has been at least one special factor which has purished results. Why should 1996 or 1997 be any different? he asked.

Kvacrner has purchased a further 2 per cent of Amec shares in the market turnging its total holding to 20.1 per cent. Shareholders must decide before December 18 whether or not to accept Kvacrner's 1000 a share offer.

Kenwood Appliances reported higher interim profits as the integration of Ariete, the Italian appliance maker bought last year, offset squeezed mar-gias and lower sales in the UK. The household appliances producer unveiled pre-tax profits up 24 per cent at £7.4m (£5.95m) on turnover of £87.2m (£60.4m) in the six months to leptember 30.

in the core UK business, sales slipped 7 per cent to £20.8m, but the company expected to be "more second Mr Tim Beech, who took

announced in September he was moving to head C&J Clark said: "A difficult first half year's trading in the UK was compensated by an encouraging performance from Ariete and Mizushi." The two Italian businesses,

purchased in November last year and funded by a I-for-4 rights issue that raised about £27m, made a substantial contribution to group sales, with Ariete's turnover up 30 per cent at L28.4bn (£11.6m). Mizrahi, which makes portable air conditioners, started pro-duction this year, and had sales of L28.2bn

In the UK, Kenwood said sales of food preparation equipment were constrained by the Mr Tim Parker hot weather, but looked for-

"The second half has started well, and we have a number of new product introductions planned which should help improve sales performance in said. He also suggested that as retailers ordered stock closer to sale, more Kenwood sales

would tip into the second half. Earnings per share were very slightly ahead at 11.3p (11.2p), after the issue of an extra 9.17m shares to fund the Italian buys. Analysts left forecasts of full-

year profits unchanged at £17m, but, in the light of lower tax than expected, earnings per share are forecast at 25.4p. With the shares closing down



should help second half 2p at 229p, that gives a prospective p/e of nearly 9.

The interim dividend is unchanged at 3.25p.

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World Wide Fund For Nature (formerly World Wildlife Fund)

Non-core disposals **BTG** loss less than expected

BTG, the former British Technology Group which floated in July, reported maiden interim pre-tax losses of £2.1m (\$3.3m) compared with profits of £290,000. The figure was better than the -22.5m forecast at flotation,

writes Motoko Rich. The shares rose 67p to 920p. The losses were because of lower income following the expiry of its patent for Pyrethrin, an insecticide which is one of the big revenue earners. Mr Ian Harvey, chief executive, said the group, which develops patents for new technologies which it then licenses, had several products in its pipeline and expected to feturn to profits by 1998.

These include Tomudex, an 'anti-cancer drug licenced to

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the black in the year to September 30, as it began to bene-fit from its recent shedding of non-core busines Pre-tax profits of £1.51m

(\$2m) compared with losses of £179,000, but were struck after a sharp fall in net interest charges to £697,000 (£1.4m). Mr Chris Fleetwood, chief executive, said the lower interest charge was the result of tight control on working capital and the effect of the disposals - the 54 per cent stake in Powec, a Norwegian subsidiary sold for £3m in July, and the piping division, for £11.7m in October 1994. Gearing, previ-

ously at 54 per cent, was elimi-

By Peter Peerse

They also affected the tax
Charge which rose to 12.78m
Whesse, the instrumentation (2500,000) for an after-tax deficit of 2448,000 (2889,000). Mr Risetwood explained that the profit on the sale of Powec, being an overseas company, was taxable, and that the write off on the piping sale was not tax-deductible. Such a charge was anomalous, he said, and would return to about 30 per cent.

> £4.7m. (£2.19m), including £5.09m (£4.62m) from continuing operations. The net loss on the disposals was £2.45m. Mr Fleetwood said the main changes had been achieved and that acquisitions were now being sought, probably to expand the product range. He

"underweight" in the UK.

Operating profits rose to

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ı	Restrict & Homeone	76.1 34.1	(71.5) (32.7)	11.1 8.1	(9.81) (7.72)	19.1 21.95	(17.5) (20.94)	4.5 6.4	Feb 2 Mar 4	4.1 6	10.1	9.4
ı	Greencore 4 Yr to Sept 29	436.9	(404.5)	47♥	(39.5)	45.9	(38.4)	7.7	Mar 1	6.2	11.8	9.9 14
1	First New Year Sept 30 First New Year Sept 30	12.6 174	(150.7)	9.07	(1.9)	29	(4)	1.5	Feb 19	-		:
	Daryer Estates Yr to Sept 30	5.36	(5.59) (14)	2.17 3.08	(1.42) (4.12)	3.93† 7.53	(3.16) (10.21)	0.8 1,483	Feb 27 Apr 9	0.75 1.333	1,175 2,15	0.75
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1	APIYr to Sept 30	104	(79.6)	8.354	(7.02♥)	27.4	(21.8)	5.93	Feb 12	5.38	10	9.0B
- 1	Allders Yr to Sept 30	828.7	(732,9)	23.5	(25.5♥)	15.41	(20.5)	4.5	Feb 22	4.5	7	6.7

(75.8)

Earnings shown basic. Dividencts shown not. Figures in brackets are for corresponding period. After exceptional charge. WAfter exceptional credit. †On increased capital. ¢Current period covers 16 months to December 31; finel of not less than 2.5p forecast. ¢Comparatives pro forms. \$4rish currency. ¢Comparatives restated. *Adjusted for share consolidation. §USM

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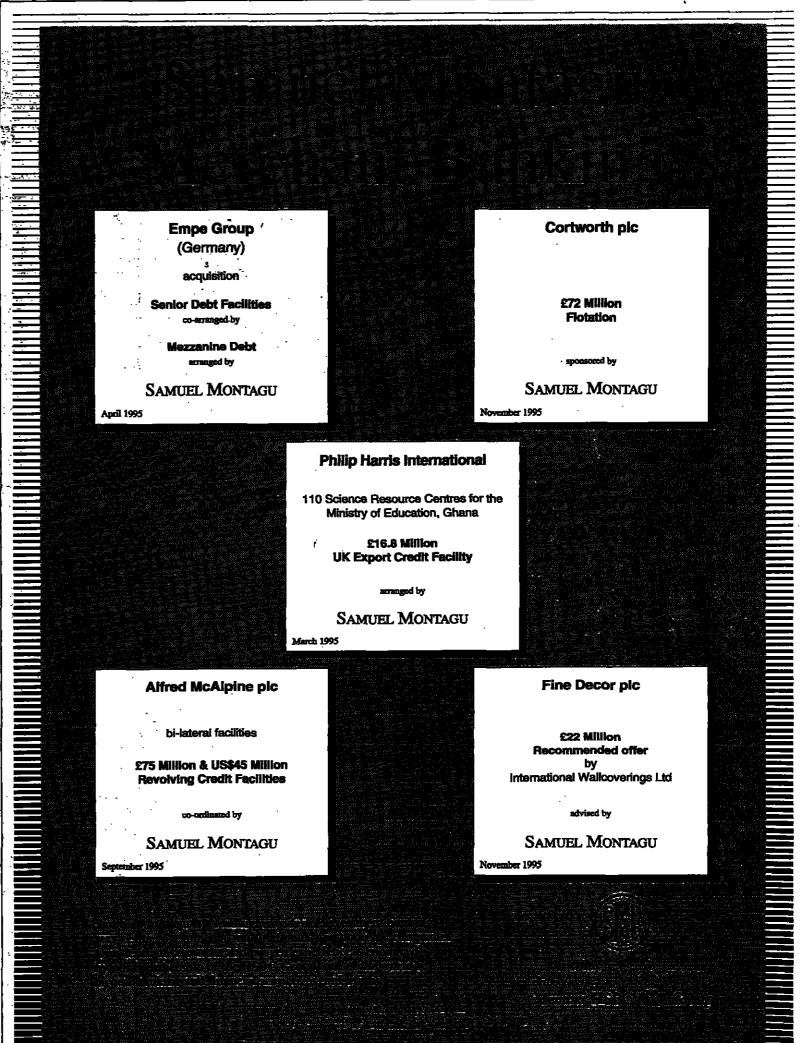
LEGAL NOTICES

The Financial Times plans to publish a Survey on Turkey - EU Customs Union

The European Union and Turkey are to establish a custome Union on January 1 1996. This will extend the single European market to Turkey, presenting Turkey and Ethicorapanies with important new business apportunities as trade barriers with Europe are dismanded and Turkey adopts European legal codes.

on Tuesday, January 16.

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UK backs European wheat export tax

By Alison Maitland

The UK government yesterday backed the European Commission's imposition of an export tax on wheat to halt European Union sales to the buoyant or to alternative feed ingrediworld market.

Mr Tony Baldry, junior agri-culture minister, told the annual Crops conference in from 12 per cent to 10 per cent ket "imbalance" caused by cur- boost the EU's production by

rent high world cereal prices. While grain farmers benefited, consumers and livestock farmers suffered. "It is not in anyone's interests if feed consumers are driven to the wall

Mr Baldry said the agreement to cut the set-aside rate Cambridge the government next year, together with expecwas concerned about the mar- ted yield increases, would

"But it will do no good if that extra production is simply exported from the community with or without subsidy. It is

essential that the commission adopt a very cautious approach to exports until such time as internal market prices return to more reasonable levels." He thus fully supported last week's imposition of the first export tax for 20 years.

Cereal growers in France,

the EU's largest grain exporter. are angry at the levy of Ecu25 (£20.80) a tonne, which is expected to discourage rather than halt all exports. The commission acted in response to concern over the damage high cereal prices might do to the livestock sector.

However, Mr Jonathan Hough, a farmer and crop consultant based in France who spoke at yesterday's conference, said the tax would not

much as the commission hoped. Prices in France had fallen only slightly since the tax was imposed on Thursday and "French wheat farmers shouldn't be too worried."

Heavy demand, together with the pull from rising world market prices, would help stabilise French prices at around FFr900 a tonne, although they might not regain their levels of up to FFr950 a month ago.

Although it is belatedly pay-

Big expansion planned at Chilean copper mine pany, and Radomiro Tomic, a

By Imogen Mark in Santiago

Plans to increase production capacity at Chile's Los Pelambres copper mine from 22,000 tomes of refined copper to 230,000 tonne a year were announced yesterday by Mr Vladimir Radic, chairman of Anaconda Chile. Feasibility studies had already been completed, Mr Radic said, and the company was now looking at ways of financing the expansion, which would require investment of about \$1bn.

The plan is to bring the new production on stream by the last quarter of 1998. Only a couple of months ago Anaconda confirmed plans to expand production to 100,000

tonnes by early 1998, but that scheme has now been subsumed in the larger project. Mr Guillermo Gonzalez, general manager at Los Pelambres, says the larger expansion

Cash production costs are now 60 cents a pound but would fall below 50 cents for the larger project, he estimates.

Anaconda is in talks with major Japanese smelting interests about long-term supply contracts, as well as a possible equity stake in the company and loans for the expansion. N.M. Rothschild, the UK merchant bank, is advising on the finance package.

If the Pelambres expansion

goes ahead as planned, it will be coming on stream within months of another new megaproducer, the 330,000 tonne Collahuasi mine, jointly-owned by Falconbridge and Minorco. The Collahuasi mine will also be producing concentrates, as well as 50,000 tonnes of copper cathodes. Two other big new producers due on stream dur-ing 1997 and 1998 are the

company, in the mid-1980s. The existing mine is an underground operation in the high cordillers of the Andes. which produces 60,000 tonnes a year of concentrates. The expansion would be an openpit facility, company sources confirmed, which would produce 600,000 tonnes a year of concentrates. Reserves are estimated at more than 2bn 225.000 tonne a year El Abra, a tonnes, with ore grades averag-Cyprux-Amax joint venture

new 150,000 tonne Codelco

mine. Both of these will pro-

Anaconda is owned by the

Luksic group, through its interest in Antologasta Hold-

ings. London. Last month it completed the buy-out of for-

mer partners in the Pelambres

venture, Midland Bank and

Lucky Goldstar, of Korea, for

\$100m Anaconda acquired the

Pelambres deposit for \$10m

from Atlantic Richfield, the oil

duce cathodes, however.

Zanzibar squeezed in cloves power struggle

Michela Wrong on the island that once accounted for 90 per cent of world output ping to a pathetic \$600 last iny but pungent, the

clove has always inspired a level of fierce possessiveness out of all proportion to its marginal role in the human diet. Jealously guarded by the

Dutch colonisers of Indonesia, bent on establishing a world monopoly, cloves were smuggled out by the French in the 18th century. Planted in Mauritius, they were stolen once again by Arab traders who brought them to the Indian Ocean islands of Zanzibar. creating the spice islands of

Now a new squabble for control is brewing, this time between the Zanzibar archipelago and the Tanzanian mainland, locked in an antagonistic, mutually suspicious union for the last 31 years.

Some years ago seeds were taken from Zanzibar to the Tanga and Ngorongoro in north Tanzania and nurseries established on the mainland. According to reports filtering back, those plantations are now starting to produce cloves. although still too small to compete with Zanzibar's produce, judged the best in the world. 'We cannot talk about such things openly, the subject is too sensitive," says an official at the Zanzibar State Trading Corporation, sole exporter of the islands' cloves. "But what we would like to know is: why is the mainland planting cloves at a time of world surplus? We

suspicions are spelled out by Zanzibar's opposition, which recently lost its campaign to win greater autonomy from the mainland by coming second in elections widely believed to have been rigged by Tanzania's

dried buds seems to have permeated the wood pannelling, Mr Abdulrahman Rashid ZSTC's general manager, has no thoughts of expansion. Instead he talks of trimming the acreage sown to clove trees, encouraging farmers to

building mosques, palaces and domed baths for their harems, cloves were grown on huge plantations worked by slaves from the mainland. In 1964 the former slaves revolted and seized the land, massacring the

'Why is the mainland planting cloves at a time of world surplus? We have our suspicions.

"The mainland's intention has always been to annex Zanzibar completely and do away with the present two-government structure," says Mr Nassor Seif Amour, deputy head of the Civic United Front. "But it wasn't easy while we were economically independent.

"[Julius] Nyerere [then president of Tanzania] knew cloves were our only source of hard currency. So if everyone in the world started producing cloves we would be helpless and forced to bow down before him. He wanted to make us depen-

Whether paranoia or reality, Zanzibar's fears are founded on an incontrovertible fact: world demand for cloves - used as a spice, in medicine, in aromatic cigarettes, in toothpaste and for very little else - is tinv. Production far outstrips demand, and a tight rein must be kept on global output if any nation is to make money. Seated in a sea-front office where the sweet aroma of the

diversify into other spices under a UK-sponsored scheme, abandoning marginal plantations and ensuring that annual production from a few prime sites never exceeds 5,000

"The key thing is not to overproduce," says Mr Rashid. "If we go back to harvesting an average 9,000 tonnes a year we simply won't find the market." It was not always so. Once responsible for 90 per

cent of world production, Zanzibar could pretty much dictate its terms. World prices were strong - hitting a high of \$9,600 a tonne in 1980 - trees were picked three times a year and in boom years annual production soared above 20,000 The islands' troubles can

partly be traced to former president Nyerere, whose high-minded policies nearly destroyed so many sectors of Under the Arab traders who

came and settled on Zanzibar.

GRAINS AND OIL SEEDS

124.15 -1.00 124.65 123.95 213 2,099

The new regime soon merged with mainland Tanganyika and adopted its left-wing principles. Land was nationalised, plantations split into three-acre plots and distributed to the peasants. But the state kept most of the proceeds, with farmers receiving less than 4 per cent of the export price.

With returns so low there was little incentive to harvest, fertilise, maintain or replant. Production dropped to 1,000 tonnes a year at one stage. Trees were harvested once a

While Zanzibar's crop languished, others were picking up the slack. Indonesia, one of the world's biggest consumers, started growing its own cloves to cater for a booming clovescented cigarette industry; Madagascar upped production: Brazil sowed plantations and ioined in.

The resulting overproduction disastrously undermined the world price, which has settled at \$1,000 per tonne after dip-

ing its farmers 50 per cent of the export price, Zanzibar has dropped to fourth in the world table of producers. Output from its trees, most of which are over 60 years old and well past their prime, is expected to be under 3,000 tonnes this year. Although harvest-time still sends waves of fragrance billowing across the lush Zanzibar countryside, islanders now look to a budding tourist

industry, oil exploration and other sectors to provide cherished foreign exchange. But the extent of the dramatic price collapse may actu-ally prove a blessing. Brazil, calculating that any price below \$1,500 a tonne is uneconomical, is pulling out of the cloves market. Zanzibar, with

able to keep producing at lev-els scorned by some of its "A certain amount of cloves will always be needed. So it's going to be a question now of who can produce at the lowest

its low labour costs, may be

prices," says Mr Rashid. Preoccupied with retrenchment, ZSTC has no plans to loosen its current monopoly on exports. "At the moment we need to replant and revive plantations we want to retain. If the industry were completely liberalised no-one would care about the future. They would milk the cow until she fell down dead."

Australian forecasting group predicts higher gold prices

New Guinea.

with Codelco, the state com-

By Nikki Tait in Sydney

Gold prices have "little chance of falling" from current US dollar levels and should increase in real terms over the next five to ten years, according to the latest study by Australian Mineral Economics, the Sydneybased forecasting group.

AME argues that fabrication

demand will exceed new mine production plus scrap recovery in the forseeable future. 'Unless there are major shifts in jewellery fabrication demand or new mine production, the official sector and pri-vate holders of gold, plus deriv-atives-related supply will be required to make up the market deficit," it says.

It acknowledges that between 1990 and 1994 these sources supplied about 890 tonnes to the market but sug-

 Sets
 Day's change
 High left
 Low Vol
 Open Int

 67.675
 -0.800
 58.125
 67.600
 2,422
 10.595

 67.275
 -0.800
 68.100
 67.250
 2,427
 31.800

 67.525
 -0.675
 68.050
 67.500
 1,738
 15,813

Tedi, operated by Australia's gests the market deficit could BHP, is the subject of a comwiden to 2,800 tonnes by 1995 pensation furore, with local viland 5,500 tonnes by 2005. "A agers claiming that discharges significant real price increase into the local river system will be needed to raise mine have devastated their liveliproduction and slow fabricahoods. Much of the criticism of tion demand growth," it says. the Porgera mine also centres AME predicts a nominal on tailing discharges into the price of US\$482 a troy ounce by

Strickland/Fly River system. 2000, or, in 1995 US dollar However, the owners of Porterms, around \$416 an ounce. Prominent environmental gera – a joint venture between groups in Australia - includ-Renison Gold Fields, Placer ing the Australian Conserva-Pacific and Highlands Gold, an offshoot of Queensland-based tion Foundation and the World MIM - have claimed that the Wide Fund for Nature - yesterallegations are "inaccurate and day stepped up the environmisleading".
"The mine was approved by mental controversy over the

Porgera gold mine in Papua PNG authorities after a They endorsed a report that detailed and vigorous environargues that "the environmenment assessment process tal and social impacts of the involving review by international advisers to the PNG gov-Porgera mine are at least as bad as those of the Ok Tedi ernment," said a Placer offimine and, possibly, worse". Ok

COMMODITIES PRICES BASE METALS **LONDON METAL EXCHANGE** (Prices from Arralgemeted Metal Trading) ALUMINIUM, 98.7 PURITY (\$ per torme) 3 mths 1579-80 31,429 ■ ALUMINIUM ALLOY (\$ per torine)

1410-20

1450-60

have our suspicions." Those

Previous	1410-20	1450-55						
High/low		1460/1450						
AM Official	1415-25	1450-60						
Karb close		1450-60						
Open int.	5,043							
Total delly turnover	771							
LEAD S per tonne	•							
Close	744-48	734-35						
Previous	740.5-2.5	725-26						
High/low	746	744/732						
AM Official	745.5-46	734-35						
Kerb close		743-44						
Open int.	34,132							
Total daily turnover	8,396							
■ NICKEL (\$ per tonne)								
Close	8220-30	8345-50						
Previous	8100-10	8220-25						
High/low	8185	8380/8280						
AM Official	8180-85	8300 -10						
Kerb close		B370-80						
Open int.	44,250							
Total daily tumover	9,211							
TIN (\$ per torme)								
Close	6380-90	6380-85						
Previous	6310-20	6325-35						
High/low	6380	8390/6365						
AM Official	6380-85	6375-80						
Kerb close		8420-30						
Open int.	76,131							
Total daily turnover	5.909							
ZING, special high	grade (\$ per	tonne)						

AM CITICUS	6380-85	6375-80				
Kerb close		8420-30				
Open int.	16.131					
Total daily turnover	5.909					
ZINC, special high	h grade (\$ per	tonne)				
Close	1037-38	1062-83				
Previous	1014-15	1038.5-39.0				
High/low		1065/1056				
AM Official	1036-36.5	1061-61.5				
Kerb close		1065-6				
Open Int.	62.357					
Total daily lumover	24.263					
COPPER, grade /	(\$ per tonne)					
Close	2994-95	2694-95				
Previous	2978-83	2684-85				
High/low	3005/2995	2699/2675				
AM Official	3003-5	2685-87				
Kerb close		2698-700				
Open int.	179,903					
Total daily turnover	77,102					
III LME AM Official 9/5 rate: 1.5345 LME Closing 5/5 rate: 1.5360						

	GH GRAL	Æ GUP	PEH R	NWEX!		
	Sett price	Day's	High.	Low	Val	Open kril
Dec	135.15	+1.55	136.20	134.00	949	7,439
بحول	129.65	+2.25	130.00	129.10	137	2,555
Feb	126.20	+2.10	-	_	12	972
ile:	122.85	+2.05	123.30	121.25	4,000	15,393
Apr .	121.40	+2.05	_	_	15	481
Ž.,	119.90	+2.00	120.20	118.40	373	2,904
أطعا					5.770	37.263

PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Rothschild)									
Gold(Troy oz) Close	\$ price 389.30-389.70	viupe 2	SFr equiv						
Opening	389.90-390.30								
Morning fix	389.70	254,125	454.468						
Alternoon fix	369.60	254,125	454.468						

Opening	389.90-390.3	0	
Morning fix	389.70	254,125	454.468
Afternoon fix	369.60	254,125	454.468
Day's High	389.90-390.3	0	
Day's Low	389.00-389.4	G	
Previous class	389,50-389,9	Q	
Loco Ldn Me	en Gold Lendi	ng Rates (V	s USS)
1 month	274 (months	3.01
2 months	2.75 1	2 months	3.02
3 months	2.87		

Silver Flx	p/tray az	US cts equiv
Spot	342.05	525.25
3 months	346.50	531.15
6 months	351.00	537.15
1 year	380.10	549.00
Gold Colms	\$ pnce	£ equiv.
Krugemand	390-91	254-255
Maple Leaf	400.95-403.50	
New Sovereign	90-92	59-60

Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.) ■ WHEAT LCE (2 per tonne)

	PI ST	chaude	Hill		Adi	
Dec	388.5	-1.4	390.5	388.5	287	1,405
Feb	390.0	-1.4	392.3	389.7	17.274	60,006
Age	392.0	-1.4	393.8	392.0	100	14,437
Jan	394.0	-1.4	395.9	394.0	348	21.057
Am.	396.0	-1.4	_	_	107	_
Oct	398.2	-1,4	_	_	14	3,506
Total					18,411	144,392
■ PLA	TINUM	NYMEX	(50 Tn	oy oz.:	S/troy o	Z.)
Jan	418.5	+1.0	419.5	417.0	1 571	15,968
Ace	419.5					4.433
) i	421.1			420.0		
Oct	423.1			418.5		1.023
	424.1			-		5
Total					1.750	23.333
■ PAL	LADIUN	NYME	X (100	Trow pa		
						-
Onc	137.55		-		193	
	138.90		140 50		578	
Jun .	140.30	+3.05	-	-	186	361
Total					957	6,088
SELV	ER CO	VIEX (5,1	200 Tro	y oz: C	`ents/tr	oy (22.)
Dec	516.3	-0.6	522.0	517.5	169	223
Jac	519.7	-0.6	522.5	522.5	41	77
Mar	525.5	-0.7	530.0	524.0	5,224	60,333
May	530 1	-0.6	534.0	529,5	29	10,133
, 34	534.4		537.0		90	6,781
Sep	538.8	-0.6	541.5	541.5	-	8,571
Total					5,685	94,629

	RGY								
CHU		. NYME	(PEU	u us ç	A1127 2A				
	Listest	Day's change	High	Low	Yel	Open fet			
	78.89	-0.08	19.14	18.86	50.173	84,813			
	18 56	-0.02	18.74	18.55	29,013				
ī	18.35	+0.03	T8 45	18.31	13.271	37.936			
•	18.14	+0.02	18 24	18.12	5.076	18.876			
Y	17 98	+0.01	18.06	17.97	2,801	11,032			
i	17.85	+0.02	17.92	17.85	2750	24.369			
				- 1	09,912	358,783			
CRUDE OIL IPE (\$/barrel)									
	Latest	Day's				Ореп			
	price	change	Heb	Low	Vol	İnst			
	in sea								
	17.70	-0.06	17.94	17.70	17,474	38,175			
1	•		17.94 17.59	17.70 17.39		38,175 56,512			
! !	17.70 17.39 17.14	-0.06			17,474				
i	17.70 17.39 17.14 16.97	-0.06 -0.02 -0.01 +0.04	17.59	17.39	17,474 15,935	55,512			
i	17.70 17.39 17.14 16.97 16.83	-0 06 -0 02 -0.01 +0.04 +0.07	17,59 17,31 17,07 16,90	17.39 17.14 16.92 16.75	17,474 15,935 8,290 2,367 1,373	56,512 22,535 8,964 4,655			
, ,	17.70 17.39 17.14 16.97	-0.06 -0.02 -0.01 +0.04	17,59 17,31 17,07	17.39 17.14 16.92	17,474 15,935 8,290 2,367 1,373 619	56,512 22,535 8,964 4,855 9,466			
, ,	17.70 17.39 17.14 16.97 16.83	-0 06 -0 02 -0.01 +0.04 +0.07	17,59 17,31 17,07 16,90	17.39 17.14 16.92 16.75	17,474 15,935 8,290 2,367 1,373	56,512 22,535 8,964 4,855 9,466			
	17.70 17.39 17.14 16.97 16.83 16.71	-0 06 -0 02 -0.01 +0.04 +0.07	17,59 17,31 17,07 16,90 16,72	17.39 17.14 16.92 16.75 18.65	17,474 15,935 8,290 2,367 1,373 619	56,512 22,535 8,964 4,855 9,466 152,400			

	hund	ماسح			701	17
Jan	57,50	+0.81	58.00	56.71	25,733	47,974
Feb	5580	+0.45	56.25	55.50	17,929	38.232
	53.45	+0.19	54.05	53 36	7,514	17,799
Apr	51.20	+0 09	51.60	51.15	1,888	5.557
May	49 70	+0.19	49 95	49.60	702	5.995
Jun	48 80	-0.11	49.15	48.75	911	9,068
Total					55,139	140,272
E GAS	OIL PE	(\$/torne	ð			-
	Sett	Day's				Open
	price	cpatala	High	Low	Yol	int
Dec	170.50	+3.50	171 00	168.00	15.627	16.759
Jim	170.75	+3.50	170.75	168.00	18,184	33,669
Feb	166.75	+275	167.00	164.50	3,572	
Mar	162.50	+2.00	163.25	160.75	551	5.896
Apr	159.00	+1.50	159.50	157.75	440	2.246
May	156 75	+1.50	157.00	156.00	148	1.157
Total					38,373	
MAT	URAL O	LAS NY	EX (10.1	300 mm	301.; \$/m	mBu.)
	Latest	Day's				Open
	orice	change	High	Low	Val	int
Jan	2.710	-0.006	2.235	2 182	21.918	40.880
Feb	2.132	+0.016	2.140	2.100	7.201	26,610
ther .		+0.013	1.965	1.945	2,680	18,419
Ane		+0.011	1.825	1.805		13,083
_		10013	1 777	1.000		13,003

i i	1.750	+0.013 +0.008	1.777 1.760	1.745 1.740	2,099 877 38,27 4	6,89
		O US galle		alla.)		
		Day's charge	High	Low	Yel	Oper
	55.50	+0.85	56.00	54.80	10,563	
	54.80	+0.50	55.25	54.45	7,080	
	54.05	+0.30	54.55	53.95		10,43
	58.25	+0.32	56.65	55.25	1,506	
	56.20	-	56.20	56.20	1,450	
	55.1D	-	-	_	973	2.25

973 2.251

XIII	125.80	-1.20	136.50	125.50	290	2,447	
		-1.60	130.20	130.00			
	714.23	-0.65	114.50	174.20			
	EAT OF	T /E 004					
_							-
					1 757		
27					9 140	24 120	
See							
Dac	442.25				523		i
	-				19,726		-
	ZE CBT	(5,000	bu min	centa/	561b ba	ıshel)	-
Dec	339.50	+2.75	341.25	339.00	6,439	20,219	
Har	347.25	+3.25	348.50	346.25	39,031	299,908	
May	349.00	+3.75	349.75	347.25			
J=1		+3.00	345.50	341.75			- 1
Sep		+1.25	301 DO	299.50	954	17,694	•
	287.75	+1.75	288.50				7
					01,100	W/,203	i
_							
			115.50	115.23	3/		1
			109 50	100 50	-		
		-	-	-	-		
Total					139		
■ SO1	ABEAN	S CBT (10000bu	nala; caol	s/608b b	ushel)	:
.ba	714.50	+5.25	730.50	714.00	33,731	78.057	
						54,875	- 7
	123.00	+0.00	723.00				
Hay	725.00		730.00			15,936	į
May Jul	725.00 725.25	+6.25 +6.00	730.00 729.50	734.00 724.50	2,574 4,889	15,929 22,448	. I
May Jul Ang	725.00 725.25 720.75	+6.25 +6.00 +6.00	730.00 729.50 725.00	724.00 724.50 720.00	2,574 4,889 398	15,929 22,446 1,562	
May Jul Aug Sep	725.00 725.25	+6.25 +6.00 +6.00	730.00 729.50	724.00 724.50 720.00	2,574 4,889 398 68	15,929 22,446 1,562 1,787	1
May Jul Aug Sep Tutal	725.00 725.25 720.75 701.50	+6.25 +6.00 +6.00 +2.00	730.00 729.50 725.00 708.00	734.00 724.50 720.00 702.00	2,574 4,889 398 68 53,970	15,929 22,446 1,562 1,787	1
May Jul Aug Sep Tutal EL SOT	725.00 725.25 720.75 701.50 /ABEAN	+6.25 +6.00 +6.00 +2.00 CRL C	730.00 729.50 725.00 708.00 ST (60.0	724.00 724.50 720.00 702.00 XXXIII	2,574 4,889 398 68 53,970 t cents/8	15,929 22,446 1,562 1,787	
May Jul Ang Sep Tutal EL SON	725.00 725.25 720.75 701.50 /ABEAN 24.70	+6.25 +6.00 +6.00 +2.00 CML CE	730.00 729.50 725.00 708.00 3T (80.0	734.00 724.50 720.00 702.00 000fbs: 9	2,574 4,889 398 68 53,970 cents/\$	15,926 22,446 1,562 1,787 193,284	1
May Jul Aug Sep Tetel El Son Dec Jan	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12	730.00 729.50 725.00 708.00 3T (80.0 25.05 25.14	734.00 724.50 720.00 702.00 000(0s: 0	2,574 4,889 398 68 53,970 cents/8 257 8,415	15,926 22,446 1,562 1,787 (93,284 b) 1,173 31,497	. 1
May Jul Ang Sep Tetal El SON Dec Jan Star	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75 25.06	+6.25 +6.00 +6.00 +2.00 +2.00 -0.14 -0.12 -0.15	730.00 729.50 725.00 708.00 3T (80.0 25.05 25.14 25.50	734.00 724.50 720.00 702.00 XXXIIXXX 24.65 24.72 25.04	2,574 4,889 396 68 53,970 cents/8 257 8,415 3,925	15,926 22,446 1,562 1,767 (93,284 0) 1,173 31,497 27,396	. 1
May Jul Ang Sep Tutal E SOY Dec Jan May	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75 25.06 25.39	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -6.16	730.00 729.50 725.00 708.00 3T (60.0 25.05 25.14 25.50 25.82	734.00 724.50 720.00 702.00 0000ss: 0 24.65 24.72 25.04 25.38	2,574 4,889 396 68 53,976 cents/8 257 8,415 3,925 1,154	15,926 22,446 1,562 1,787 183,284 2) 1,173 31,497 27,396 11,767	1
May Jul Ang Sep Tutal El Son Dec Jan May Jul	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75 25.06 25.39 25.60	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -0.19	730.00 729.50 725.00 708.00 3T (80.0 25.05 25.14 25.50 25.62 26.00	734.00 724.59 720.00 702.00 24.65 24.72 25.04 25.38 25.80	2,574 4,889 398 68 53,970 cents/8 257 8,415 3,925 1,154 2,147	15,928 22,446 1,562 1,767 193,284 31,497 27,396 11,767 9,147	1 (1
May Jul Ang Sep Tutal E SOY Dec Jan May	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75 25.06 25.39	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -6.16	730.00 729.50 725.00 708.00 3T (60.0 25.05 25.14 25.50 25.82	734.00 724.50 720.00 702.00 00000s: - 24.65 24.72 25.04 25.80 25.75	2,574 4,889 398 68 53,970 cents/8 257 8,415 3,925 1,154 2,147 25	15,929 22,446 1,562 1,787 193,284 3) 1,173 31,497 27,396 11,767 8,147 2,117	1 (()
May Jul Aug Sep Total BE SON May Jul Aug Total	725.00 725.25 720.75 701.50 /ABEAN 24.70 24.75 25.06 25.39 25.60	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -0.16 -0.20	730.00 729.50 725.00 708 90 3T (80.0 25.05 25.14 25.50 25.62 26.00 26.10	734.00 724.50 720.00 702.00 24.65 24.72 25.04 25.38 25.80 25.75	2,574 4,889 398 68 53,970 257 8,415 3,925 1,154 2,147 25 16,176	15,929 22,446 1,562 1,787 193,224 2) 1,173 31,497 27,396 11,767 8,147 2,117 37,666	
May Jul Ang Sep Total EL SOY Dec Jul Mar May Jul Ang Total EL SOY	725.00 725.25 720.75 701.50 748EAN 24.70 24.75 25.06 25.06 25.60 25.60	+6.25 +6.00 +6.00 +2.00 C9L CE -0.14 -0.12 -0.15 -0.16 -0.19 -0.20	730.00 729.50 725.00 708.00 3T (80,6 25.05 25.14 25.50 25.69 25.70 CBT (1	734.00 724.50 729.00 702.00 000lbs: 24.65 24.72 25.04 25.80 25.75	2,574 4,889 398 68 53,979 2,415 3,925 1,154 2,147 25 16,176 (\$,000)	15,929 22,446 1,562 1,787 183,224 3) 1,173 31,497 27,396 11,767 8,147 2,117 37,660	
May Jul Aug Total BE SOY Jul Aug Total BE SOY Dec Land Star May Jul BE SOY Dec Land BE SOY Dec	725.00 725.25 720.75 701.50 7ABEAN 24.70 24.70 25.06 25.06 25.60 25.65 7ABEAN	+6.25 +6.00 +6.00 +2.00 CAL CE -0.14 -0.12 -0.15 -0.16 -0.19 -0.20 MEAL +1.2	730.00 729.50 725.00 708.00 25.05 25.14 25.50 25.82 26.00 26.70 CBT (1	734.00 724.50 729.00 702.00 702.00 702.00 24.65 24.72 25.04 25.80 25.75 00 tons	2,574 4,889 398 68 53,976 257 8,415 3,925 1,154 2,147 25 16,176 \$Aon) 5,716	15,929 22,446 1,562 1,787 183,224 3) 1,173 31,497 27,395 11,767 8,147 2,117 37,686	
May Jul Ang Sep Total BE SOY Jul Ang Total B SOY Dec Jen Har	725.00 725.25 720.75 701.50 74.75 24.70 34.75 25.06 25.60 25.60 25.65 74.8EAN 224.9 227.9 220.1	+6.25 +6.00 +6.00 +2.00 C9L CE -0.14 -0.12 -0.15 -0.16 -0.19 -0.20	730.00 729.50 725.00 708.00 3T (80,6 25.05 25.14 25.50 25.69 25.70 CBT (1	734.00 724.50 729.00 702.00 702.00 702.00 24.65 24.72 25.04 25.80 25.75 00 tons	2,574 4,889 398 68 53,979 257 8,415 3,925 1,154 2,16,176 5,716 18,195 7,903	15,929 22,446 1,562 1,787 13,234) 1,173 31,497 27,396 11,767 8,147 2,117 37,596 4,846 4,846 4,846 4,913	
May Jul Aug Sep Total BE SOY Dec Jan Ber Dec Jan Ber Dec Jan Ber Dec Jan Ber Ber Ber Ber Ber Ber Ber Ber Ber Ber	725.00 725.25 720.75 701.50 74.85EAN 24.70 34.75 25.06 25.06 25.90 25.65 74.85EAN 224.9 227.0 220.1 229.5	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -0.19 -0.20 MEAL +1.4 +1.9 +2.6	730.00 729.50 725.00 708.00 3T (50,6 25.05 25.40 25.80 25.62 26.00 26.70 CBT (1 229.3 232.0 231.0	734.00 724.50 720.00 702.00 000058: 24.65 24.72 25.04 25.80 25.75 00 tons 226.9 226.9 226.9 226.9 226.9 226.9	2,574 4,889 398 53,970 cents/8 257 3,925 1,154 2,147 25 16,175 5,760 18,795 18,793 1,900	15,929 22,446 1,562 1,787 193,234) 1,173 31,437 27,336 11,767 8,147 2,117 87,566 4,846 42,943 11,965	
May Jul Aug Sep Total EL SOY Dec Jan Hithy Jul BL SOY Dec Jen Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	725.00 725.25 720.75 701.50 74BEAN 24.70 34.75 25.69 25.69 25.69 25.65 74BEAN 224.9 227.0 230.1 229.0	+6.25 +6.00 +6.00 +2.00 -0.14 -0.15 -0.16 -0.19 -0.20 MEAL +1.2 +1.4 +1.4 +2.6 +2.8	730.00 729.50 725.00 708.00 3T (80.0 25.05 25.40 25.60 26.10 CBT (1 227.1 229.3 231.0 231.0 230.0	734.00 724.50 720.00 702.00 702.00 702.00 24.65 24.72 25.04 25.38 25.75 00 tons 224.9 226.8 236.0 226.8 226.8 226.8	2,574 4,889 398 53,979 53,979 6,415 2,147 25 18,176 5,716 18,195 7,903 3,071	15,929 22,446 1,562 1,767 1,767 11,767 27,395 11,767 2,117 37,569 4,846 39,734 42,913 11,965 11,162	
May Jul Aug Sep Total EE SOY Jul Aug Total EB SOY Dec Jan Mar Hay Jul Aug Aug Aug Aug Aug Aug Aug Aug Aug Aug	725.00 725.25 720.75 701.50 74.85EAN 24.70 34.75 25.06 25.06 25.90 25.65 74.85EAN 224.9 227.0 220.1 229.5	+6.25 +6.00 +6.00 +2.00 -0.14 -0.12 -0.15 -0.19 -0.20 MEAL +1.4 +1.9 +2.6	730.00 729.50 725.00 708.00 3T (50,6 25.05 25.40 25.80 25.62 26.00 26.70 CBT (1 229.3 232.0 231.0	734.00 724.50 720.00 702.00 702.00 702.00 24.55 24.72 25.04 25.38 25.75 00 tons 224.9 226.8 230.0 224.8	2,574 4,889 398 53,979 257 8,415 3,925 1,154 2,147 25 16,175 5,716 18,195 7,903 1,900 3,071 50	15,929 22,446 1,562 1,767 133,234 31,497 27,396 11,767 8,147 27,396 4,846 33,734 42,913 11,962 11,162 11,162 1,332	
May Jul Jul Jul Sep Total BE SOY Dec Jul Ang Total BE SOY Dec Jen Mar Mar Mar Mar Mar Mar Total Total Total Total	725.00 725.25 720.25 701.50 741.50 24.70 24.70 25.06 25.09 25.05 74BEAN 224.9 227.0 230.1 229.5 229.0 226.4	+6.25 +6.00 +6.00 +2.00 CRL CE -0.14 -0.15 -0.16 -0.19 -0.20 MEAL +1.4 +1.9 +2.6 +2.4 +3.4	730.00 729.59 725.00 708.90 3T (60.0 25.05 25.14 25.50 25.62 26.90 25.70 CBT (1 229.3 232.0 231.0 230.0 227.0	734.00 724.50 720.00 702.00 702.00 702.00 24.55 24.72 25.04 25.38 25.75 00 tons 224.9 226.8 230.0 224.8	2,574 4,889 398 53,979 53,979 6,415 2,147 25 18,176 5,716 18,195 7,903 3,071	15,929 22,446 1,562 1,767 133,234 31,497 27,396 11,767 8,147 27,396 4,846 33,734 42,913 11,962 11,162 11,162 1,332	
May Jul Jul Jul Sep Tritel EL SON Dec Jea Jul Ang Total EL SON Jul Ang Total EL SON Jul Jul Jul Jul Jul Jul Jul Jul Jul Jul	725.00 725.57 720.75 701.50 24.75 25.06 25.09 25.60 25.65 24.9 227.0 229.5 229.5 229.5 229.5 229.5 229.5 229.5 229.5	+6.25 +6.00 +6.00 +2.00 CRL CE -0.14 -0.15 -0.16 -0.19 -0.20 MEAL +1.4 +1.9 +2.6 +2.4 +3.4	730.00 729.59 725.00 708.90 3T (60.0 25.05 25.14 25.50 25.62 26.90 25.70 CBT (1 229.3 232.0 231.0 230.0 227.0	734.00 724.50 720.00 702.00 702.00 702.00 24.55 24.72 25.04 25.38 25.75 00 tons 224.9 226.8 230.0 224.8	2,574 4,889 398 53,979 257 8,415 3,925 1,154 2,147 25 16,175 5,716 18,195 7,903 1,900 3,071 50	15,929 22,446 1,562 1,767 133,234 31,497 27,396 11,767 8,147 27,396 4,846 33,734 42,913 11,962 11,162 11,162 1,332	
May Jul Jul Sep Total BE SOY Jul Jul Ang Total BE SOY Bec Jen Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	725.00 725.57 720.75 701.50 24.75 25.06 25.90 25.90 25.95 270.0 201.1 229.1 229.1 229.0 226.4	+6.25 +6.00 +8.00 +2.00 -0.14 -0.12 -0.15 -0.19 -0.20 MEAL +1.2 +1.4 +2.6 +2.8 +3.4 -0.5 +3.4	730.00 728.50 728.60 708.90 3T (80,4,2 25.65 25.14 25.50 26.60 26.70 27.1 27.1 27.1 27.1 27.1 27.1 27.1 27.1	734.00 724.50 720.00 702.00 702.00 702.00 24.65 24.72 25.04 25.38 25.60 25.75 00 tons 224.9 226.8 23.00 224.8	2,574 4,889 388 68 68 53,970 257 8,415 3,925 21,154 21,154 21,154 5,716 18,195 7,903 3,071 50 37,119 1	15,929 22,446 1,562 1,787 11,787 11,73 31,497 27,396 11,767 9,147 2,117 37,660 4,846 39,734 11,965 11,162 1,392 115,811	
May Jul Aug Sep Total B. SON Dec Jan Total B. SON Dec Jan Mar Mar Mar Mar Mar Mar Aug Total B. SON Aug Total B. SON Aug Total B. SON	725.00 725.57 720.75 701.50 24.75 25.06 25.39 25.90 25.95 227.0 229.5 22	+6.25 +6.00 +2.00 +2.00 -0.14 -0.12 -0.18 -0.19 -0.20 +1.4 +1.2 +1.4 +2.8 +3.4 -0.19 -0.20 -0.19 -0.20	730.00 729.59 725.00 708.90 3T (60.0 25.05 25.14 25.50 25.62 26.90 25.70 CBT (1 229.3 232.0 231.0 230.0 227.0	734.00 724.50 720.00 702.00 702.00 702.00 24.55 24.72 25.04 25.38 25.75 00 tons 224.9 226.8 230.0 224.8	2,574 4,889 398 68 68 53,970 1257 8,415 1257 8,415 1257 8,716 18,175 7,903 3,071 50 37,1191 46	15,929 22,446 1,562 1,787 11,787 11,787 27,395 11,767 2,117 37,596 4,846 42,913 11,965 11,965 11,965 11,965 11,965 11,392 11,965 11,392	
May Jul Jul Sep Total BE SON Mar Jul Ang Total BE SON Dec Jen Mar Total BE POT Mar Mar Mar Mar Mar Mar Mar Mar Mar Mar	725.00 725.57 720.75 701.50 24.75 25.06 25.90 25.90 25.95 270.0 201.1 229.1 229.1 229.0 226.4	+6.25 +6.00 +8.00 +2.00 -0.14 -0.12 -0.15 -0.19 -0.20 MEAL +1.2 +1.4 +2.6 +2.8 +3.4 -0.5 +3.4	730.00 728.50 728.60 708.90 3T (80,4,2 25.65 25.14 25.50 26.60 26.70 27.1 27.1 27.1 27.1 27.1 27.1 27.1 27.1	734.00 724.50 720.00 702.00 702.00 702.00 24.65 24.72 25.04 25.38 25.60 25.75 00 tons 224.9 226.8 23.00 224.8	2,574 4,889 388 68 68 53,970 257 8,415 3,925 21,154 21,154 21,154 5,716 18,195 7,903 3,071 50 37,119 1	15,929 22,446 1,562 1,787 11,787 11,73 31,497 27,396 11,767 9,147 2,117 37,660 4,846 39,734 11,965 11,162 1,392 115,811	
May Jul Aug Sep Total B. SON Dec Jan Total B. SON Dec Jan Mar Mar Mar Mar Mar Mar Aug Total B. SON Aug Total B. SON Aug Total B. SON	725.00 725.25 720.75 701.50 24.75 25.08 25.09 25.65 25.65 25.65 22.65 22.0 22.0 22.0 22.0 22.0 22.0 22.0 22.	+6.25 +6.00 +2.00 +2.00 -0.14 -0.12 -0.18 -0.19 -0.20 +1.4 +1.2 +1.4 +2.8 +3.4 -0.19 -0.20 -0.19 -0.20	730.00 728.50 728.60 708.90 3T (80,4,2 25.65 25.14 25.50 26.60 26.70 27.1 27.1 27.1 27.1 27.1 27.1 27.1 27.1	734.00 724.50 720.00 702.00 702.00 702.00 24.65 24.72 25.04 25.38 25.60 25.75 00 tons 224.9 226.8 23.00 224.8	2,574 4,889 398 68 68 53,970 1257 8,415 1257 8,415 1257 8,716 18,175 7,903 3,071 50 37,1191 46	15,929 22,446 1,562 1,787 11,787 11,787 27,395 11,767 2,117 37,596 4,846 42,913 11,965 11,965 11,965 11,965 11,965 11,392 11,965 11,392	
May July July July July July July July Jul	725.00 725.25 720.75 701.50 24.75 25.08 25.09 25.65 25.65 25.65 22.65 22.0 22.0 22.0 22.0 22.0 22.0 22.0 22.	+6.25 +6.00 +2.00 +2.00 -0.12 -0.15 -0.19 -0.20 MEAL +1.4 +1.9 +2.6 +3.4 +2.8 +3.4 +5.0 -0.5 +5.0 +1.4 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0	730.00 7781.50	7:34.00 724.50 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 703.75 700	2,574 4,889 386 68 51,979 257 257 257 257 257 257 257 7,903 1,900 50 37,1191 46 48	15,936 22,448 1,562 1,787 162,284 31,173 33,487 22,396 11,73 22,117 37,589 4,846 42,913 11,162 1,392 11,162 1,392 11,162 1,392 11,162 1,217 6	
May July July July July July July July Jul	725.00 725.25 701.50 74.75 24.70 24.75 25.06 25.99 25.90 25.95 220.1 229.5 229	+6.25 +6.00 +2.00 +2.00 -0.14 -0.15 -0.18 -0.20 MEAL +1.2 +1.4 +1.9 +2.6 +3.4 +2.6 +3.4 +5.0 -5 -5 -5 -5 -5 -5 -5 -5 -5 -5 -5 -5 -5	730.00 730.50 730.50 730.60 75	7:34.00 724.50 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 703.00 7	2,574 4,889 386 68 51,979 257 257 257 257 257 257 7,903 1,900 50 7,1191 46 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	15,936 22,448 1,562 1,787 162,284 31,173 33,487 22,396 11,73 22,117 37,589 4,846 42,913 11,162 1,392 11,162 1,392 11,162 1,392 11,162 1,217 6	
May July July July July July July July Jul	725.00 725.57 720.75 701.50 24.75 25.06 25.99 25.90 25.95 220.1 229.5 22	+6.25 +6.00 +2.00 +2.00 -0.12 -0.15 -0.19 -0.20 MEAL +1.4 +1.9 +2.6 +3.4 +2.8 +3.4 +5.0 -0.5 +5.0 +1.4 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0 +5.0	730.00 7781.50	7:34.00 724.50 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 703.75 700	2,574 4,889 53,970 257 8,415 3,925 1,154 2,147 25,776 1,920 3,071 1,900 30,719 46 6 6 7,903 37,1191 48 9,001 1,900	15,936 22,446 1,562 1,767 183 1,173 31,457 27,396 11,162 39,734 42,913 11,962 11,392 11,392 11,392 11,392 11,392 11,392 11,392 11,392 11,295 1	
May July July Sep Total Sep Son Dec Jen Mar Mary July July July July July July July Jul	725.00 725.25 720.75 720.75 721.50 24.75 25.06 25.39 25.90 25.95 229.5 2	+6250 +6000 +2000 -0.14 -0.12 -0.15 -0.19 -0.20 +1.2 +1.4 +2.6 +2.8 +3.4 +3.4 +3.4 +3.4 +3.4 +3.4 +3.6 +3.6 +3.6 +3.6 +3.6 +3.6 +3.6 +3.6	730.00 730.50 730.50 735.00 755.00 755.05 75.05	7:34.00 724.50 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 702.00 703.00 7	2,574 4,889 53,870 257,8,415 3,925 6,415 1,154 2,147 2,147 5,716 18,195 5,716 18,195 3,071 1,900 3,071 1,900 3,071 46 46 46 48 48 48 48 48 48 48 48 48 48 48 48 48	15,936 22,448 1,562 1,767 11,767 11,767 11,767 9,147 2,117 8,147 2,117 8,147 2,117 8,147 11,365 11,132 11,365 11,132 11,225 11,225 11,225	
May July July July July July July July Jul	725.00 725.57 720.75 701.50 24.75 25.06 25.59 25.60 25.65 27.00 220.1 229.5 229.0 226.4 270.0 280.0 35.0 270.0 280.0 35.0 270.0 280.0 35.0 280.0 35.0 280.0 35.0 280.0 35.0 360.0 36	+625 +600 +200 +200 -0.14 -0.12 -0.15 -0.19 -0.20 +1.4 +1.2 +1.3 +2.6 +3.4 +5.0 	730.00 730.50 730.50 730.50 730.60 37 (80.0) 25.05 25.14 25.80 25.10 27.1 27.1 27.1 27.1 27.1 27.1 27.1 27.1	724.00 724.50 725.00 702.00 70	2,574 4,889 53,970 257 8,415 3,925 1,154 2,147 25,776 1,920 3,071 1,900 30,719 46 6 6 7,903 37,1191 48 9,001 1,900	15,936 22,446 1,562 1,767 183 1,173 31,457 27,396 11,162 39,734 42,913 11,962 11,392 11,392 11,392 11,392 11,392 11,392 11,392 11,392 11,295 1	
	History Just Will Dec Wilson Testal Mary History Dec Mister History Lead History Step Hove Total History Step Hove Just	May 127.85	May 127.85 -1,25	127.85 - 1.25 128.50	127.85 -1.25 128.50 127.55 127.55 128.50 127.55 128.50 127.55 128.50 128.50 132.50 132.00 132.00 132.00 132.00 132.00 132.00 132.00 132.00 132.00 132.50 13	Mar	Mary 127.85 -1.25 129.50 127.55 258 3.357 Mar

PLITURES DATA All lutures data supplied by CMS.	
There was strong and active demand reporting the Tea Broker's Association. Brighter Assertiots will at around last levels but plainer sor lost 2 to 4p with quality. East Africans agasew less competition, with brighter and or only medium sorts 5-10p dearer, constitution. Plainer Africans were also firm to dear and the few Ceytons were substantially deare Quotations: best available 180p-254p/4g, god 163p-177p/kg, good medium 118p-148p/kg medium 95p-114p/kg, low medium 95p-114p/kg, low medium 95p-14p/kg for a burundi	

SOF	TS						ME	AT A	ND I	LIVE	STO	CK	
■ COC	OA LCE	(E/ton	18)	_				E CATTI	LE CMI	(40 <u>,00</u>	Olibs: ca	nts/ibs	ij
	Sett	Day's				Open		Sett	Day's				0
	price	change	High	هو.	Yol	int		Price	change	High	Low	Val	
Dec	911		-	-			Dec				67.600		
No.	942					36,816	Feb	67.275			67.250		
May	961	-		957		14,501	Apr				67.500	1,736	
Jui	979						Jee Jee				63.100	447	
Sep Dec	999 1009			999 1009		27,751 5.972	Aug Oct				61.525 62.500	222 49	
Tetel	1003	13	1011	IUUG		116,172	Total	92.423	-0.2ra	02.5UU	02.300	12,953	
E COC	~ ~~	7E MA 4		e #	-			E HOGS	~ ·	40 000		•	•
										•			-
Dec	1304			1308			Dec				47.025	1,084 4,289	
Mar Mav	1315 1333			1333		39,279 13,099	Feb Asr				49,575 49,550	1,224	
Juli	1353			1357			معر					464	
See	1374			1378	22	-,	Jel	54.225				192	
Dec	1399	_	1404	1402		8.091	Ano			53,150		160	
Total						78,267	نظوا					9,206	3
E COC	OA (ICC	XO) (SO)	7's/loss	10)	-	-	■ PQ	RK BELL	JES C	ME (40,0	000Ebs,	cents/9	ba
Dec 8			Price		Prom	. day	Feb	58,600	-1.025	59.900	58.550	1.595	
Daily			940.81			40.86	Har-	58.850	-0.800	59,950	58.800	231	
•		-					May	59.875	-0.725	60.700	59.850	60	
■ COFI	eee co		nel				Jai	61.250			60.500	47	
		= isancul											
<u> </u>		•		2107	2.350	13.161	Ang Total	30.430	-0.450	59.500	58.500	30	
Jan Mar	2133 1857	+32	2210 1920			13,161 11,411	Total	36.430	-0.450	59.500	58.500		7
	2133	+32 -16	2210		2,300 236	11,411		30.430	-0.450	59.500	58.500		7
Mar May Jul	2133 1857 1772 1728	+32 -16 -30 -18	2210 1920	1856	2,300	11,411 4,998 3,177	Talel					2,795	
Mar May Jul Sep	2133 1857 1772 1728 1690	+32 -16 -30 -18 -45	2210 1920 1830 1770	1856 1772 1727	2,300 236 102	11,411 4,998 3,177 741	Talel	JDON				2,795	
Mar May Jul Sep Nov	2133 1857 1772 1728	+32 -16 -30 -18	2210 1920 1830 1770	1856 1772 1727	2,300 236 102 17	11,411 4,998 3,177 741 247	Tafel		TR	ADE	D Oi	2,786 PTIC)ł
Mar May Jul Sep Nov Total	2133 1857 1772 1728 1690 1678	+32 -16 -30 -18 -45 -36	2210 1920 1830 1770 1703	1856 1772 1727 - 1680	2,300 236 102 - 17 5,085	11,411 4,998 3,177 741	Total LON State	IDON price \$	TR.	ADE	D Oi	2,786 PTIC)ł
Mar May Jul Sep Nov	2133 1857 1772 1728 1690 1676	+32 -16 -30 -18 -45 -36	2210 1920 1830 1770 1703	1856 1772 1727 1680 bs: cen	2,300 236 102 - 17 5,085	11,411 4,998 3,177 741 247	Total LON Stylke	IDON	TR.	ADE	D ()	2,786 PTIC)ł
Mar Mary Jul Sep Rov Total W COFF	2133 1857 1772 1728 1690 1676	+32 -16 -30 -18 -45 -36 CSCE (2210 1920 1830 1770 1703 37,5000	1856 1772 1727 1680 bs: cen	2,300 236 102 - 17 5,065 ts/fbs)	11,411 4,998 3,177 741 247 33,737	LON Strike III ALL (99.7%	IDON price \$ MINEM) LIME	TR.	ADE — c	D ()	2,786 PTIC)ł
Mar Mary Jul Sep Hov Tetal III COFF Dec Mar	2133 1857 1772 1728 1690 1678 TEEE 'C' 105.90 102.35	+32 -16 -30 -18 -45 -36 -36 CSCE (4 +1.15 +0.80	2210 1920 1830 1770 - 1703 37,5000 103.25	1856 1772 1727 1680 bs: can 104.75 101.25	2,300 236 102 17 5,085 ts/fbs) 90 4,948	11,411 4,998 3,177 741 247 33,737 574 19,655	LON Strike III ALL (99.7% 1800	IDON price \$ MUNEUM	TR.	ADE — c	DOI Salla	2,796 PTTC Po)ł
May Jul Sep Hov Tetal Tetal Dec May	2133 1857 1772 1728 1690 1678 TEE: 'C' 105.90 102.35 101.00	+32 -16 -30 -18 -45 -36 -36 CSCE (+1.15 +0.80 +1.05	2210 1920 1830 1770 1703 37,5000 103,25 101,75	1856 1772 1727 1680 bs; cen 104.75 101.25 89.85	2,300 236 102 17 5,065 ts/fbs) 90 4,948 710	11,411 4,998 3,177 741 247 33,737 574 19,655 3,509	Total LON Stylke III ALL (99.7% 1600 1700	IDON price \$ MUNICIN) LIME	TR tonne	ADE — G Jan 64 9	DOI Salls Mar 98	2,786 PTTC Pr Jan 5)ł
May Jul Sep Hov Tetal Tetal Dec May Jul Jul	2133 1857 1772 1728 1690 1678 EEE 'C' 105,90 102,35 101,00	+32 -16 -30 -18 -45 -36 -36 CSCE (+1.15 +0.89 +1.05 +1.40	2210 1920 1830 1770 1703 37,5000 103.25 101.75 101.75	1856 1772 1727 1680 bs; cen 104.75 101.25 89.95 100.10	2,300 236 102 17 5,085 ts/fbs) 90 4,948 710 197	11,411 4,998 3,177 741 247 33,737 574 19,655 3,509 1,139	Total LON Strike F ALL (99.7% 1600 1700 1800	DON price \$ MINE NO) LME	TR	ADE — c Jan 64 9	D Oi salls Mar 98 43 15	2,786 PTIC)ł
Alter Many Juli Sep Blov Totol III COFF Dec Misry Juli Sep	2133 1857 1772 1778 1690 1678 EEE 'C' 105.90 102.35 101.00 100.90	+32 -16 -30 -18 -45 -36 -36 CSCE (+1.15 +0.89 +1.05 +1.40 +1.65	2210 1920 1830 1779 - 1703 37,5000 103.25 101.75 101.75 101.00	1856 1772 1727 1680 bs; can 104.75 101.25 89.95 100.10 99.80	2,300 236 102 - 17 5,085 ts/fbs) 90 4,948 710 197 130	11,411 4,996 3,177 741 247 33,737 574 19,655 3,509 1,139 691	LON Strike IF ALL (99.7% 1600 1800 III COI (Grade	IDON price \$ AMINERA) LIME PPER AI LIME	TR	ADE Jan 64 - 9 - 1	D Oi males Mar 98 43 15 Mar	2,795 PTIC Pr Jan 5)ł
Mary Juli Sep Roy Total T COFF Dec Miles Juli Sep Dec .	2133 1857 1772 1778 1690 1678 EEE 'C' 105.90 102.35 101.00 100.90	+32 -16 -30 -18 -45 -36 -36 CSCE (+1.15 +0.89 +1.05 +1.40	2210 1920 1830 1779 - 1703 37,5000 103.25 101.75 101.75 101.00	1856 1772 1727 1680 bs; can 104.75 101.25 89.95 100.10 99.80	2,300 236 102 5,085 ts/fbs) 90 4,948 710 197 130 29	11,411 4,998 3,177 741 247 33,737 574 19,655 3,509 1,139	Total LON Strike F ALL (99.7% 1800 1700 1800 Grade 2700	IDON price \$ MUNICAN) LIME PPER A LIME	TR	ADE Jan 64 9 Jan 152	D Oi lefts Mar 98 43 15 Mar 79	2,786 PTIC)ł
Star May Jul Sep Hov Total Mr COFF Hay Jul Sep Dec . Total Total Total Mr Coff Hay Jul Sep Dec . Total Mr Coff Hay	2133 1857 1772 1728 1690 1678 105.90 102.35 101.00 100.90	+32 -16 -30 -13 -45 -36 -36 +1.15 +0.80 +1.05 +1.40 +1.65 +1.65	2210 1920 1830 1770 - 1703 37,500 105,90 105,95 101,75 101,75 101,00 99,90	1856 1772 1727 1680 bs; can 104.75 101.25 89.95 100.10 99.90	2,300 236 102 5,085 ts/fbs) 90 4,948 710 197 130 29	11,411 4,998 3,177 741 247 33,737 574 19,655 3,509 1,139 691 565	EON Strike ALL (99.7% 1600 1700 1800 (Grade 2700 2800 2800 2800	IDON price \$ MAINERAN) LIME PPER A) LIME	TR	ADE Jan 64 - 9 Jan 152 - 72	D Oi mile Mar 98 43 15 Mar 79 43	2,786 PTIC)ł
Mary Juli Sep Roy Total T COFF Dec Miles Juli Sep Dec .	2133 1857 1772 1728 1690 1678 105.90 102.35 101.00 100.90	+32 -16 -30 -13 -45 -36 -36 +1.15 +0.80 +1.05 +1.40 +1.65 +1.65	2210 1920 1830 1770 - 1703 37,500 105,90 105,95 101,75 101,75 101,00 99,90	1856 1772 1727 1680 bs; can 104.75 101.25 89.95 100.10 99.80 99.90	2,300 236 102 5,085 ts/fbs) 90 4,948 710 197 130 29	11,411 4,998 3,177 741 247 33,737 574 19,555 3,509 1,139 691 565 26,328	E COI (Grade 2700 - 2800 - 2800 - 2800 - 2800 - 2900 -	IDON price \$ MUNICAN) LIME PPER A LIME	TR	ADE Jan 64 - 9 Jan 152 - 72	D Oi lefts Mar 98 43 15 Mar 79	2,786 PTIC)ł

III CON	E 0 1	- T	J. 1000			
Dec	105.90	+1.15	105.90	104.75	90	574
Mar	102.35	+0.60	103.25	101.25	4,948	19.655
May	101.00	+1.05	101.75	69.95	710	3.509
Jul	100.90	+1.40	101,75	100.10	197	1,139
Seep	100.90	+1.65	101.00	99.80	130	691
Dec	100.90	+1.65	99.90	99.90	29	565
Total:					6,098	26,328
E COFF	E (CC) (US c	ents/po	und)		
Dec 8		•	Price	•	Progra	day
Comp dad	y		101.79	ł	10	2.97
15 day aw					11	1,03
_	-					
■ No7 F	REMIU	M RAV	Y SUG	UR LCE	(cents	/bst
					<u> </u>	<u> </u>
	13.25	-	-	-	-	- -
Mar	10.90	-		Ξ		
	10.90 11.19	-	-		-	
Mar	10.90		. =	Ξ	=	
Mar May	10.90 11.19		. =	=	-	
Mar May Jul Total M WHIT	10.90 11.19 11.18	-	• =	=	-	=
Mar May Jul Total	10.90 11.19 11.18	-	• =	=	735	:
Mar May Jul Tetal WHIT	10.90 11.19 11.19 E SUGA	R LCE	(\$/tonn	- - - - - 351.5 342.4	735 313	14,825 6,751
Mar May Jul Total III WHITT	10.90 11.19 11.19 E SUGA 351.8	- R LCE	(\$/tonn 354.1 344.5 334.5	351.5 342.4 332.3	735 313 165	14,825 6,751 3,815
Mar May Jul Tetal M WHUT Mar May	10.90 11.19 11.19 251.8 351.8 343.0 333.8 306.0	-0.9 -0.2 +0.7 +1.1	(\$/tonn) 354.1 344.5 334.5 306.5	351.5 342.4 332.3 305.3	735 313 165 148	14,825 6,751 3,815 3,208
Mar May Jul Total M WHUT Mar May Ang	10.90 11.19 11.19 51.6 351.6 343.0 333.6 306.0 299.7	-0.9 -0.2 +0.7 +1.1 +1.0	\$/tonn 354.1 344.5 334.5 306.5 298.5	351.5 342.4 332.3 305.3 299.0	735 313 165	14,825 6,751 3,815 3,208 1,604
Mar May Jal Total M WHUT Mar May Ang Det	10.90 11.19 11.19 251.8 351.8 343.0 333.8 306.0	-0.9 -0.2 +0.7 +1.1	(\$/tonn) 354.1 344.5 334.5 306.5	351.5 342.4 332.3 305.3 299.0 296.6	735 313 165 148 25	14.625 6,751 3,815 3,208 1,604 294
Mar May Jel Total WHUT Mar May Ang Det Dec	10.90 11.19 11.19 51.6 351.6 343.0 333.6 306.0 299.7	-0.9 -0.2 +0.7 +1.1 +1.0	\$/tonn 354.1 344.5 334.5 306.5 298.5	351.5 342.4 332.3 305.3 299.0 296.6	735 313 165 148 25	14.625 6,751 3,815 3,208 1,604 294

= Y	VHITE SUG	AR LCE	(\$/ton	ne)		
iler	_ 351.8	-0.9			735	14,82
بطلا	343.0	-0.2	344.5	342.4	313	6,75
ADG	333.8	+07	334.5	3323	165	3,81
Det	306.0	+1.1	306.5	3053	148	3,20
Dec	299.7	+16	299.5		35	1,50
Har	297.2	+0.9	296.6	296.6	-	28
Total	ı				1,389	38,88
# \$	UGAR "11"	CSCE (112,00	Olitys: ce	nts/libe	ą
Mer	11.38	-0.06	11.49	11.28	11,067	87.43
٥,					3.0B2	
₩,		+0.01	10.50	10.39	1,065	16,23
Oct		+0.03		10.19	591	18,30
- حطا	9.98		10.04	9 98	108	10,83
May	9.91	-0.02	9.90	9.90	-	1,35
Total				;	15,948	59,21
■ C	YN NOTTO	CE (50,	000lbs:	cents/l	baj	
iler	85.21	+0.11	86.60	85 30	2661	25.26
Hay	85.58	+0.17	85.85	84.89	524	9,64
, M	B4 87	+0.05	85.35	84 50	245	6,72
02	80.74	+0.19	\$0.78	80.20	65	
Dec	78.00	-0.08	78.05	77.80	730	9,14
iter	78.78	-0.02	78.95	78.80	27	78
					4,338	
					_	
	FLANGE JU	CE NY	CE (15.	000lbs:	CHIL	10S)
. 0	RANGE JU					
R O	127.40	+0.45	127.50	000/bs: 125.70 129.60	1,233	16,71

Dec 8 month ago 2138.2 2151.8

Dec 7 month ago 244.20 -

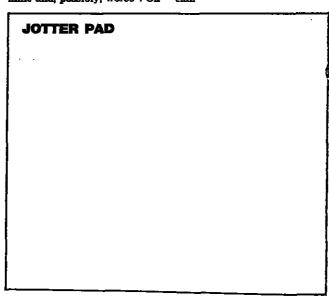
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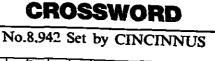
Dec 8 Dec 7 month 345.17 244.20 ■ GSCI Spot (8ase: 1970=100)

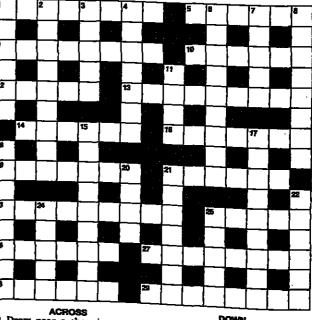
	Sep Morr				136.40 134.50	28 10	860 510
	Total	134.70		19120			27,784
ne demand reports n. Brighter Assems is but plainer sons cast Africans again brighter and col- dearer, sometimes	Opel	UME DAT n interest racts trac E, CME a	and ted on	COM	EX, NY	MEX.	CBT,
also firm to dearer ubstantially dearer. 90p-254p/kg, good		ICES	lase: 1	9/9/31=	100)		

		E HOGS	CME (40,0000	bs, cent	s/lbs)	_	
191	Dec				47.025			-
9,279	Feb	50.000	-0.325	50.375	49.875	4,289	16,067	
3,099 5,215	Apr Jaco			48.900 55.175	49.550 54.200	1,224 464	7,410 4,951	
9,862	Jel			54,550		192	2,273	
B,091	Ang			53.150		160	1,505	
8,267	نطوا					9,206	35,941	
	■ PO	RK BELL	JES CI	VIE (40,	000Ebs;	cents/4)	
by	Feb				58.550	1,595		
.86		58.850	-0.800	59.950	58.800	231	958	
	May Jul	59.875 61.250	-0.725	60.700	59.850 en enn	60 47	475 535	
	Ju Ang	58.450	-0.450	59.500	58,500	30	182	
3,161	Total					2,765	7,251	
1,411 4,998								
3,177								
741	LON	IDON	i tr	ADE	D O	PTIC	NS	
247		price \$						
3,737		MUNICA						
	(99.7%		•	Jan	Mar	Jan	Ner	
574				64	98	5	24	
9.655 3.509	1/00			. 9	43	50	68	
1,139	1800				15	141	138	
691	■ COF	tter Ajume		Jan	Mer	Jan	Mar	
565 6.326						4	95	
0,326	2800			. 72	43	24	157	
	2900			24	-	76	-	
bry 97		TEE LC		Jan			Mar	
97 D3	1500			N/A N/A	•	-	-	
	1600					:	-	
be)	E COC	OA LCE	i	Mer	May	Mar	May	
_	950	. 1.4 1 1			121	-	-	
-	975				101 63	-	-	
-		NT CRU		- ·	Feb		- Feb	
-	-					Jan	B	
	1700	-11111 m1.H =		. 87	66	2	17	
4,825	1750				37	-	34	
1,751							_	
1,815		DON				KEI	5	
3,208	■ CRU	DE OIL	POB (p	er bane	el/Jean)	•	or-	
,504 294	Dubai			\$ 17	.08-7.10	3w +0	1.150	
,691	Prent B	kend (da	ind)	\$1	7 64-7.8	36 - 0	.02D	
	Brent B	lend (Ja	n)		7.71-7.7 1.90-8.9		L020	
,432		ipm est) PRODUC					1.035	
.598 .235					_		<u> </u>	
.235 1.308		n Gasoli	ne		170-172		+2	
1,836	Gas Of	uel Oil			176-177 103-105		+4	
,356	Naphtha				160-162		0.5	
,218	Jet fuel				194-196		1.5	
	Diesel	Apre. i	lat tan		177-178		-2	
,2 60 1,649	E OTH		_ 10/1	In ()	.,	- JL		
,720			_					
,564	Gold (p				395.50	4	.20	
,141	Silver (p Platinum	e eoy o	W 07 i		525.5c 416.60		3.60	
781 383	Pallediu	m (per t	roy oz.)) 5	133.75		1.50	
e Si	Copper		-		125.0e			
	Lead (L)	S prod.)			11.75c			
,719 ,653	Tin (Kus Tin (Nev	ka Lump	ur)		5.80m			
489	ALI (1464	TORQ			303.5ç			

CRUDE OIL FOB (per	+01-	
Dubal	\$17.08-7.16w	+0.150
Brent Blend (dated)	\$17.64-7.86	-0.020
Brent Blend (Jan)	\$17.71-7.73	+0.020
W.T.I. (1pm est)	\$18.90-8.91w	+0.035
OIL PRODUCTS NWE	prompt delivery (IF (tonne)
Premium Gascāne	\$170-172	+2
Gas Oli	\$176-177	+4
Heavy Fuel Oil	\$103-105	
Naphthe	\$160-162	+0.5
Jet Auel	\$194-196	+1.5
Diesel	\$177-178	+2
Petrolinum Argus. Tel. Londo	n (0171) 359 8752	
E OTHER		
Gold (ner troy oz)—	\$395.50	-0.20
Silver (per troy oz)ệ	525.5c	•
Platinum (per troy oz.)	\$416.60	+3.60
Palladium (per troy oz.)	\$133.75	+1.50
Copper	125.0e	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.80m	
7in (New York)	303.5ç	
Cattle (live weight)†	117.53	-4.64
Sheep five weighth&	118.99	-0.34
Pigs (live weight);	105.86	+6.63
Lon, day sugar (raw)	\$313.3	+3.6
Lon, day sugar (wite)	\$385.0	+1.2
Barley (Eng. feed)	£118.25	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Una	
Flubber (Jan)♥		. 4 00
Rubber (Feb) 🕊	115.00p 115.00a	+1.00 +1.00
Rubber (KL RSS No.1)	113.00p 428.0m	+8.0
Coconut Oil (Phil)§	\$715.0y	+7.5
Palm Oil (Malay.)§	\$590.02	+2.5
Copra (Phil)§	460.0y	-7.0
Soyabeens (US)	209.Du	+2.0







1 Draw near a shopping centre 1 Bear witness as a 5 US raid ordered by Persian 2 you see (8)

Beginning stonework (5)
Fashion designer going round
central part of church (7) you see (a) 10 Misrepresent key doctrine (6) 12 Exhausted writer found in 6 Roman law in new era and, in street (5) general, in ancient times (9)
7 Fool turning to dot a couple 13 a writer, in sooth, with-out a vehicle (9) of F3 (5) 8 Flannel frequently taken 14 Knowledge displayed by boy about a town in Cumbria (6) aboard vessel by pensioner 16 Wine and cheese brought back by Gershwin? (7) (4-4) 11 Stuff to prepare for examina-19 Exceed in public work (7)

21 Roman poet making half-hour 15 Being indecisive, Fd return on 23 Trapped spirit may be beaten 17 25 Goods carried about on 18 Explain how to make prison-25 Goods carried about the Jason's ship (5)
26 A shortage of growing fruit (6)
20 Land of Hope, Ruritania? (4)
21 Lower end of Hull jutting into

American picnic party (8) 28 Head of goosander breaking East Lake surface . . . (6) 29 migratory merganser quitting North Lake (8)

river (7) 22 Religious leader, you found, is 2 Sailor man (6)
24 A team apart (5)
25 A French writer has to add up to a hundred (5)

tion (4)

spertator? (6) Don't give up – cut French

Wagner's cycle (9) personified in vehicle by

governor out (9)

Solution to Saturday's prize puzzle on Saturday December 23. Solution to yesterday's prize puzzle on Wednesday December 27.

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FINANCIAL TIMES TUESDAY DECEMBER 12 1995 ★

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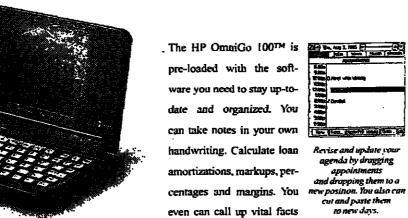
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INTERNATIONAL CAPITAL MARKETS

French prices fall on news of strike talks

By Richard Lapper in London and Lisa Bransten in New York

Developments in France. where industrial unrest is now well into its third week, provided the main focus of interest in the international bond markets yesterday, with volume in most other markets extremely thin ahead of a string of central bank meetings in the next two weeks.

Prices rose gently in the US. Germany and the UK, but fell back in France. Mr Kirit Shah, economist at First Chicago. said profit-taking had held back the potential for further gains and that the markets were looking for "bigger cues from RPI and US inflation data", as well as from the Bundesbank meeting on Thursday and FOMC meeting next

■ In France, the markets fell in early trading in the wake of news of the meeting between Mr Alain Juppe, the prime minister, and trades union

The December notional 10year future fell to a day's low of 119.72, while December Pibor also fell, partially reflecting currency weakness.

The markets recovered some ground later in the day, with the December 10-year contracts settling at 120.16, down 0.28, and the same month's Pibor at 94.05, down 0.23. On Matif. 130,136 10-year contracts were exchanged.

GOVERNMENT BONDS

In the cash market yield spreads of 10-year OATs over German bunds, which last week narrowed by 12 basis points to 68 points, widened by points to 72 points.

Ms Alison Cottrell, international economist at PaineWebber, said early fears of a government climbdown gave way to a realisation that Mr Juppé had been "careful not to jeopardise the 1996 budget num-

Mr Tony Norfield, treasury Eddie George, the governor of

economist at ABN Amro, said that although Juppé had made some concessions "the bond market is not taking this negatively, since it would allow other cost-cutting measures to

proceed." The market is likely to remain extremely nervous, however, with volatility implied by the price of options on the December Pibor con-tract still more than 75 per cent, according to traders.

■ In the UK, the publication of the November production price index showed a rise of 0.2 per cent month-on-month on the output measure, with a fall of 0.1 per cent on the input measure, and provided further evi-dence of a fall in inflationary

The data propelled gilts to new highs, with the March long gilt contract touching 110 before drifting back to settle at 110%, up & on the day. Volume remained thin on Liffe, however, ahead of tomorrow's meeting between Mr Kenneth Clarke, the chancellor, with only 23,483 contracts exchanged.

March short sterling settled at 93.80, down 0.01 on the day. factoring in a half percentage point cut in interest rates over the next four months.

■ Swedish bond prices fell. largely as a result of weakness in the krona. Yields of 10-year bonds over Germany widened by 17 basis points to close at 256 points.

■ US Treasury prices edged higher in quiet trading early yesterday as traders prepared for a wave of economic data to be released later in the week.

Near midday, the 30-year reasury was up 🛓 at 111 🖟 to yield 6.045 per cent. At the, short end of the maturity spectrum the two-year note was also 1 higher at 100, yielding 5.357 per cent.

The yield curve that maps the spread between two-year and 30-year bonds steepened as

the Bank of England, and Mr Street about whether the Federal Reserve would lower interest rates at next week's meeting of its Open Market Committee In early afternoon trading, the spread had steepened by 3 basis points to 69

basis points. Jobs figures released on Friday were weaker than many had expected, but analysts were uncertain whether the Fed would cut rates before the president and Congress had agreed to a deficit-cutting budget package.

There were no new economic figures out yesterday, so traders were waiting for data on the producer and consumer prices due today and Thursday, and on retail sales to be released tomorrow.

Bonds were not able to hold on to gains made overnight in Asian and European trading as the dollar lost ground against the yen and the D-Mark in early trading. The US currency was changing hands at Y101.05 and DM1.4437 compared with

Lithuania makes international debut in dollars

The Republic of Lithuania yesterday made its international bond market debut, issuing \$60m of 10 per cent, two-year bonds via Nomura Inter-

By Conner Middelmann

INTERNATIONAL **BONDS**

"Our entry into the international capital markets provides valuable diversification of Lithuania's funding sources and confirms international confidence in the progress of Lithuania's rapid economic transformation," said Algimantas Krizinauskas, deputy minister

lar, the country's decision to tap the dollar sector seemed a natural one. Moreover, "the dollar market will provide them with the best opportunity to establish the name of Lithuania among a wide range of

investors," said one banker. At the re-offer price of 99.90, the bonds yield 444.8 basis points over the corresponding US Treasury note. The proceeds will be used by Lithuania

for general financing purposes. The deal was said to have been heavily pre-marketed ahead of launch, and was reported to have met a good response, especially from emerging-market fund manag-

Borrower US DOLLARS	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
JG Semicon Co.	100	6.375	99.68R	Dec.2000	0.25R	+80(5%%-00)	Nomura International
Republic of Lithuania(a)	60	10.00	99.90R	Dec.1997	1.00R	+445(516%-97)	Nomura International
YEN Republic of Colombia(b)⇒	15bn	3.00#	100.00	Dec.2000	0.80	-	Mentil Lynch
TRENCH FRANCS Crédit Local de France		5.625	99.49R	Jan.1999	0.1875R	+20%(5%%-98	CDC /Société Générale

at the 99.68 re-offer price. The deal was also led by Nomura, which reported a positive response from fund managers in Asia and Europe, especially

LG Semicon, a South Korean The Republic of Colombia

Libor, the bonds were considerably more tightly priced than Colombia's recent D-Mark offering priced at around 170 basis points over Libor.

However, like other issuers in recent months, Colombia

products. "Japanese retail investors don't look at comparative value - they just look for higher yields," said one dealer. Crédit Local de France issued FFr5bn of four-year bonds via CDC and Société Générale yielding 20.5 basis

points over the corresponding

FT-ACTUARIES FIXED INTEREST INDICES

123.25 149.91

167.69

192.62

189.50

French government bond.

1 Up to 5 years (23) 2 5-15 years (21) 3 Over 15 years (8) 4 irredeemables (6)

Up to 5 years (1)

joint venture for Nordic derivatives

By Conner Middelmann

Swedish and Norwegian equity derivatives are soon to become available on an integrated trading and clearing system.

The Oslo Stock Exchange, the Norwegian Futures and Options Clearing House (NOS), Sweden's equity derivatives exchange OM Stockholm and its London offshoot OMLX have agreed to set up Linked Exchanges and Clearing (LEC), which is designed to increase exposure for each of the deriv atives markets.

The exchanges hope the LEC, which is planned to start trading next autumn, will lead to greater liquidity for the entire product range, though Norway's market is likely to

benefit especially.

"We expect to increase liquidity once we establish links to brokers in London and Stockholm," said Mr Nils Vogt, head of market surveillance at the Oslo Stock Exchange. Moreover, "we will get a more efficient trading

system", he said. Currently, participants wanting to trade in Norwegian options have to call the stock exchange, where staff match buy and sell orders.

In future, anyone able to trade on OM Stockholm and OMLX will have access to Norway's six equity options and futures on the OBX equity index via the OM's electronic trading system. Norwegian participants will have access to Swedish equity derivatives, 27 equity options and futures as well as options and futures

on the OMX stock index. Average daily turnover on the Norwegian options market is currently 6,000 contracts, and the joint venture parties are hoping LEC will increase that volume. In October, average daily volume on OM was around 130,000 contracts.

1.94 1.50 2.00 1.43 1.78

150.32 167.51

189.79

-0.31

10.23 5 yrs

13.13 20 yrs

Over 5 yrs

Trading link On-shore loan by foreign banks for Vietnam Brewery

By Jeremy Grant in Ho Chi Minh City and Conner

Banque Francaise đu Commerce Exterieur (BFCE), the French bank, signed a \$32m, three-year syndicated loan on Friday with Vietnam Brewery, a joint venture between Dutch brewer Heineken. Singapore listed beverage company Asia Pacific Breweries and Industrial Foodstuffs Company of Ho Chi Minh City.

SYNDICATED Loans

The loan, co-arranged and lead-managed by the Vietnamese branches of Bank of America, ABN-Amro Bank of the Netherlands and Malayan Banking, is the first facility granted entirely on-shore by foreign banks, reflecting growing confidence in the earnings performance of selected foreign joint ventures, said BFCE Vietnam general manager Mr Jean-Claude Guillemot.

Vietnam Brewery would use the funds to expand production from 50m litres to 150m litres of beer by the end of 1996.

Since foreign banks first received full operating licences in Vietnam in 1992, they have been cautious about lending beyond 12 months due to concerns about the country's sovereign credit risk and the difficulty of securing land and property as collateral. Vietnam still owes its commercial credi-

Mr Guillemot said bankers would be more willing to lend if the central bank gave foreign joint ventures longer guarantees of their ability to convert local currency earnings into foreign exchange. Without such guarantees, bankers can not be confident about future hard currency earnings.

6.92 7.63 7.71 7.79

8.50 8.38 8.34

Dec 11 Dec 8 Yr. ago

6.94 7.67 7.73

"Although the State [central] Bank is pushing foreign banks to lend medium-term, they don't give guarantees for longer than a year," said Mr Guil-

lemot_ • Elsewhere, the financing of Hungary's M5 motorway has been completed, resulting in the largest non-sovereign syndicated loan in Hungary.

The European Bank for Reconstruction and Development, Commerzbank and ING Bank, the arrangers of the loan, raised a FFrL3bn facility for AKA Alföld Koncessziós Autópalyá, a privately owned concession company set up to build, operate and maintain the M5 toll motorway, which will run from Budapest to Hun-

gary's southern border. Meanwhile, a FFr13.7bn multi-currency revolving credit facility for Crown Cork & Seal. the US packaging company which in May announced plans to merge with Europe's CarnaudMetalBox, has been signed after being oversubscribed by about 20 per

ر مارس چونگستان و ایران مارس کارس

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The loan was arranged by Chemical Bank, Credit Suisse and Société Générale. The deal is thought to be the biggest acquisition financing in the French market this year.

The facility is for 364 days, with an option for the borrower to extend it by another year. The interest rate is a margin of 19.5 basis points over Libor increasing by five basis points to 24.5 basis points at the end of six months.

Although it was not very generously priced, the facility met a strong response from banks keen to develop their relationship with a US company that is increasing its global activities.

"Banks expect to see big business opportunities to come out of this, especially in Europe." said one banker.

7.02 7.74 7.79

Dec 11 Dec 8 Yr. ago

1.68 3.32

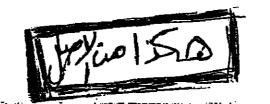
Dec 11 Dec 8 Yr. ago Dec 11 Dec 8 Yr. ago Dec 11 Dec 8 Yr. ago

6.92 7.68 7.74

8.50 8.51 8.51

currency, pegged to the US dol- year bonds yielding 80 basis	and Kokusai Europe. Yielding assets that offer a significant
AND CONTRACT CONTRACTOR AND CONTRACTOR CONTR	
WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS	■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%
Red Day's Week Month	Strike ——— CALLS ———————————————————————————————————
Coupon Date Price change Yield ago ago Australia 7.500 07/05 94.7700 -0.250 8.30 8.08 8.74	Price Jan Feb Mar Jun Jan Feb Mar Jun 9850 0.43 0.81 1.05 1.20 0.24 0.62 0.88 1.63
Austria 5.500 11/05 99,5000 -0.300 6.57 6.55 6.91 Belgium 6.500 03/05 98,6100 -0,180 6.70 6.69 6.96	9900 0.19 0.56 0.79 0.98 0.50 0.87 1.10 1.91 9980 0.07 0.37 0.59 0.80 0.88 1.18 1.40 2.23
Canada 8.750 12/05 109,7100 -0.970 7.36 7.11 7.56 Denmark 8.000 03/06 104,7000 -0.220 7.32 7.29 7.77	Est. vol. total, Calls 8270 Puts 10150. Previous day's open lnt., Calls 182555 Puts 154285
France BTAN 7.750 04/00 108.4500 -0.300 8.00 6.24 6.47 OAT 7.750 10/05 108.5000 -0.230 8.83 8.99 7.29	Italy
Germany Bund 6.500 10/05 102,8800 -0.260 6.10 6.09 6.39 ireland 6.250 10/04 92,3000 -0.350 7.46 7.49 7.96	M NOTIONAL ITALIAN GOYT. BOND (BTP) FUTURES (LIFFE) Linz 200m 100ths of 100%
htaly 10.500 09/05 97.6300 +0.260 10.90† 11.12 11.56 Japan No 129 6.400 03/00 120.6220 +0.130 1.29 1.34 1.54	Open Settiprice Change High Low Est. vol. Open int.
No 174 4.600 09/04 114.2650 +0.030 2.60 2.66 2.78 Netherlands 6.750 11/05 104.5000 -0.180 6.13 6.11 5.45	Mar 108.32 106.07 -0.26 106.38 105.90 23613 47329 Jun 105.67 -0.26 0 721
Portuger 11.875 02/05 109.52/00 -0.040 10.21 10.27 11.21 Spain 10.150 01/06 98.9700 +0.230 10.11 10.17 10.94	ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lite200m 100ths of 100%
Sweden 6.000 02/05 62,8140 -0,800 8.81 8.66 9.10	Strike
8.500 12/05 107-09 -12/32 7.45 7.52 7.89	10600 1.79 2.46 1.72 2.79
US Treasury 5875 11/05 101-06 -8/32 5.72 5.64 5.95	10700 1.34 2.02 2.27 3.35
6.875 08/25 111-11 -5/32 6.05 6.03 6.27 ECU (French Govi) 7.500 04/05 102.5500 -0.150 7.11 7.20 7.68	Est. vol. total, Calle 3973 Puts 2567. Previous day's open Int., Calls 32684 Puts 26537
London closing, "New York, mid-day Yhelds: Local market standard, f Gross (including withholding its at 12.5 per cent payable by normalidents)	Spain
Prices, US, UK in 32nds, others in declinal Source: MMS International	M NOTIONAL SPANISH BOND FUTURES (MEFF) Open Sett price Change High Low Est. vol. Open int.
US INTEREST RATES	Dec 92.95 93.22 +0.14 93.26 92.95 28,936 33,259
Latest Treasury Bills and Bond Yields One month 5.67 Two year 5.37	Mar 93.06 93.13 +0.06 93.19 92.75 4,261 12,679
Prison rate 84, Two month 5.58 Three year 540 Broker loan rate 7½ Taree month 5.50 Pive year 5.54	M NOTIONAL UK GILT FUTURIES (LIFFE)* 250,000 32nds of 100%
Fed. kends	Open Sett price Change High Low Est. vol. Open int. Dec 110-29 110-26 +0-06 111-03 110-26 2168 33018
	Mar 110-11 110-10 +0-05 110-19 110-07 23658 118181
	III LONG GELT FUTURES OPTIONS (LIFFE) 250,000 54ths of 100% Strike PUTS PUTS
	Price Jan Feb Mar Jun Jan Feb Mar Jun
BOND FUTURES AND OPTIONS	110 0-51 1-25 1-47 2-12 0-31 1-05 1-27 2-28 111 0-21 0-58 1-16 1-52 1-01 1-38 1-80 3-04
_	112 0-07 0-35 0-55 1-28 1-51 2-15 2-35 3-44 Est. vol. total. Calls 1275 Puts 2415, Previous day's open int., Calls 27115 Puts 22663
France NOTIONAL FRENCH BOND FUTURES (MATIF) FF1500,000	Ecu
Open Sett price Change High Low Est, vol. Open int.	E ECU BOND FUTURES (MATIF) ECU100,000
Dec 120.06 120.16 -0.28 120.20 119.72 130.136 75,245	Open Sett price Change High Low Est. vol. Open Int.
Jun 119.54 119.54 -0.22 119.54 119.54 2 3,349	Dec 90.46 80.60 -0.12 90.60 90.26 1,939 9,331 Mar 89.40 89.52 -0.12 89.50 89.18 1,047 1,642
Strike CALLS	110
Price Jen Mar Jun Jan Mar Jun	US TREASURY BOND FUTURIES (CBT) \$100,000 32nds of 100%
116 - 3.67 - 0.04 0.36 - 117 0.07 0.49 -	
	Open Locest Change High Low Est. vol. Open int.
118 - 2.11 - 0.78 0.74 - 119 0.84 1.48 2.11 0.43 1.12 1.50	Dec 120-11 120-11 - 120-21 120-11 34,204 96,907
119 0.84 1.48 2.11 0.43 1.12 1.50 120 0.36 0.97 - 0.95 -	Dec 120-11 120-11 - 120-21 120-11 34,204 96,907
119 0.84 1.48 2.11 0.43 1.12 1.50	Dec 120-11 120-11 - 120-21 120-11 34,204 96,907 Mar 120-04 120-03 - 120-14 120-03 488,483 327,962 Jun 119-27 119-22 - 120-00 119-24 1,715 15,645
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CURRENCIES AND MONEY

MARKETS REPORT

Franc slips as market worries about concessions

The French franc lost ground yestercay amid market concerns that the government was making concessions to striking workers which would jeopardise France's prospects of meeting the Maastricht conver-

genci criteria. Most of the selling took place during Asian trading as the frant fell from a London close last Friday of FFr3.44 against the D-Mark to an intra-day low of IFr3.4595 in Europe. It later recovered to close in London at FF:3.45 as traders concluded that the concessions the gov-eriment may make are less far-reaching than initially

Analysts were not inclined to pace too much significance in narket moves which took place amid very thin volumes. The market has a distinct Thristmas feel to it, with little evidence of any discretionary trading taking place; only those who had to trade

appeared to be in the market. Exchange rate were, in the words of one observer, "well confined within familiar

ranges." The dollar had a fairly steady day, finishing at DM1.4442, from DM1.448. Against the yen it closed at Y101.02, from Y101.25.

In Europe the higgest move came from the Swedish krona, which continued the retreat seen at the end of last week, finishing at SKr 4.673 against the D-Mark, from SKr4.598. The lira also fell back through the L1,100 barrier, closing at L1,104, from L1,097.

Sterling made up ground against both the D-Mark and dollar, finishing at DM2.2149, from DM2.2116, and \$1.5337

E Pour	h Hew Yor	k.
Dec 11	—-Latest—	— Prev. ctos
£ spot	1.5350	1.5330
1 min	1.5341	1,5321
3 mth	1.5325	1,5304
1 yr	1,5238	1,5213

Yesterday was a day more interesting for the utterances of officialdom than for any movements in market prices.

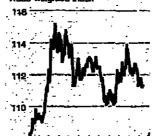
Leading the way on a familiar, if temporarily forgotten, theme, was Mr Larry Sum-mers, the US deputy treasury secretary. He told the Swiss-American chamber of com-merce in Zurich that the US preferred a stronger dollar because it meant higher real wages for US workers, lower inflation and also maintained the dollar's role as the world's

leading reserve currency.
"The US remains prepared to co-operate with other countries in exchange markets as we have in the past," he said.

Also striking a familiar theme about the value of the national currency was a statement from the Swiss cabinet and Swiss National Bank agreeing that the franc was too strong. The government statement said that "the reasons lie above all abroad," with Mr

Markus Lusser, the SNB presi-

Trade-welchted Index



dent, saying that he would use any manoeuvring room that the situation in Switzerland

offered him. The most recent bout of Swiss franc strength was the result of an outflow of funds from Germany from investors who fear that the D-Mark will be exchanged for an inferior single currency under European monetary union.

■ Market sentiment appears to be moving away from a pre-Christmas rate cut from either the Bundesbank this Thursday, or the US Federal Reserve next Tuesday.

US commentators note that it would be unprecedented for the Fed to cut rates while the economy was at full employ-ment, while recent comments from some Fed officials indicated a reluctance to lower interest rates while the battle over the Federal budget remains unresolved.

On this front, there was a positive development in the form of the White House agreeing to use the budgetary fore-casts prepared by the Congres-sional Budget Office. This had previously been a sticking point between the White House and its Republican opponents in Congress.
Mr Joe Prendergast, cur

rency strategist at Merril Lynch in London, said the bud get was a bigger focus for mar kets than monetary policy. "A

lot of Fed interest rate risk and Bundesbank interest rate risk

"US budget developments are the only factor that might give us some significant direc-tion," said Mr Prendergast. He added that even if the Fed and/or Bundesbank did cut rates this year, the market would probably be disinclined

to take any large positions,

given the time of year.

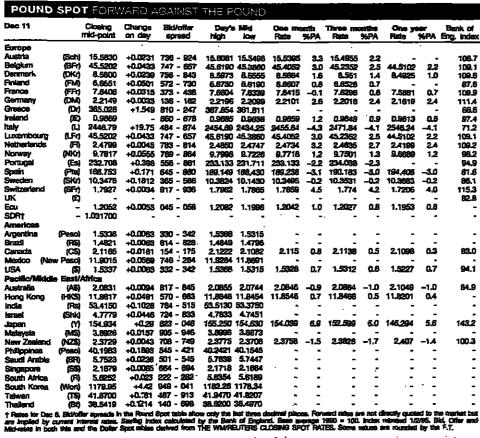
Mr Peter Farley, currency strategist at MMS in London, said developments on the French franc were being affected by the market waiting to see what the Bundesbank does. He said a failure to cut

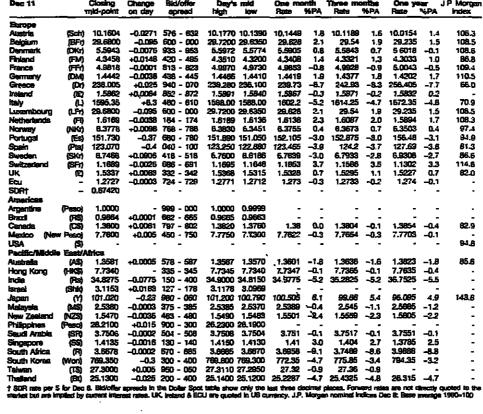
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1_	-	Sett price	Chango	High	Law	Est voi	Open att.
Dec	94,17	94.05	-0.23	94 19	93.94	30 181	33,283
Jun	94.70 94.90	94.62 94.87	-0.11 -0.05	94.70 94.90	94.55 94.83	11,4 9 1 2,258	41,172 35,598
3011	\$4 2U	54.01	-000	9U	74.03	4,430	33,⊒ *0
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N THREE							
i	•	Sett price	Change	High	Low	Est. vol	Open int
Dec	96 08	96.09	+0.02	96.10	26.07	12659	129346
Mar	96.35	96 36	+0.02	96.37	96.34	11655	167680
Jun	96 40	96.42	+0.03	96 43	96.40	8756	131293
Sep	96.35	96.36	+0.02	96.37	96 35	6280	104850
E THREE N	HONTH EL	JROLINA P	UTURES	(CIEFE).	L1000m po	nts of 100%	
]	Open	Sett pnce	Chango	High	Low	Est. vol	Open int
Dec	89.53	89.53	-0.03	89.55	89 51	1997	20003
Mar	89.94	89.89	-0.05	89.94	89 65	3682	33724
Jun	90.22	90.21	-0.06	90.23	90 19	687	18884
Sep	90.29	90.29	-0 D4	90 31	90.26	383	11346
THREE N	HONTH EL	JRO SWIS	FRANC	FUTURE	S (LIFFE) S	Fr1m points	Of 100%
J	Open	Sett pnce	Change	High	Low	Est vol	Open int.
Dec	97.81	97.88	+0.06	97 88	97.81	2254	15494
Mar	98.04	98.10	+0.06	98.11	98.03	3560	21217
Jun	98.0B	98.14	+0.06	98.15	98.08	927	11731
Sep	98.03	98.06	+0.04	98.06	98.03	510	5703
B THREE A	SONTH EC	AUTUR UK	ES (LIFFE)	Ecu1m	points of 10	<u> 0% </u>	
i	Open	Sett pnce	Change	High	Low	Est. vol	Open int.
Dec	94.58	94.58	-0.04	94.60	94,57	523	5382
Mar	94.80	94.81	-0.02	94.83	94.80	389	5450
Jun	94.90	94.91	-0.02	94.90	94.90	27	4504
Sep	94.89	94.91	-0.02	94.90	94.89	27	2250
* LIFFE futures							
E EUROLIE	A OPTIO	NS (LIFFE) I	_1000m pc	of 1	00%		
Strike		CALL	_			- PUTS	
Price	Dec	Mar	_	ยก	Dec	Mar	Jun
8950	0.09	0.82		00	0.06	0.23	0.29
8975	0.02	0.46		83	0.24	0.32	0.37
9000	0	0.32	a.	68	0.47	0.43	0.47





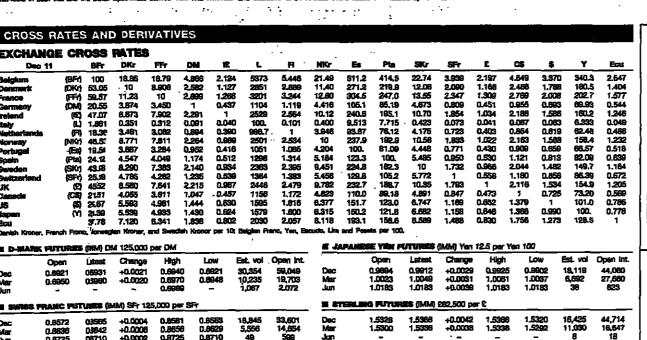
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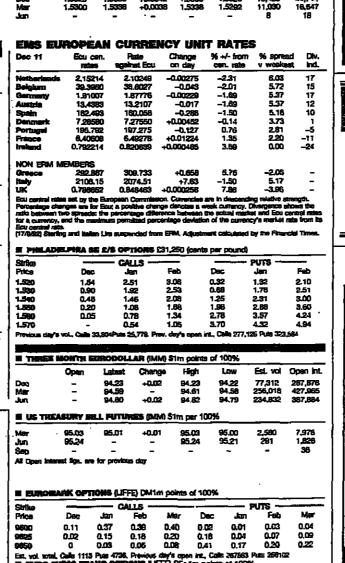
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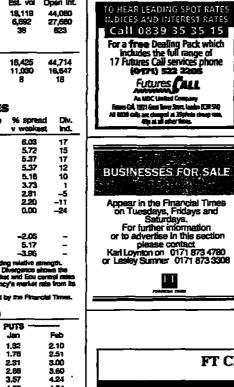
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	•	_	Up to 1	1-3	3-6	6 -9	9-12
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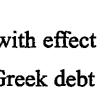
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FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. **OFFSHORE AND OVERSEAS** BERMUDA (SIB RECOGNISED) GUERNSEY (REGULATED)(**) All Franch and City course share included. 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Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details COUNTY NEW YORK OF THE PROPERTY OF THE PROPERT 화로# | -818| \$17.00 | <u>_</u>} comment on the case of the comment o **38**88 | ±882 | 335 B |-0.09| Case B Case B Case B Case B Case B Case B Case B **新**羅 [7845] 新羅 | 288 All Engine Comments of the Com **\$258** 520 10 I __| Total Control 100 CO \$266.11 \equiv Conference Letter | Size | Size | Corporate | Size Ξ Columbus Asset Management Land loca intercent felt Sp 30 l South East (com Scottish Expitable International SA Scottish Expitable International SA Section of a law. — 1879 Law 1975 Caption of a law 1975 Caption Credit Investment Funds Credit Investment Fun Cohe Bord State | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 | 1900 Common (also An) | \$20.30 | -0.20 | th Fund Lynch American Incomes (1975) -- | \$55 | +036 | --| Section | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Control | Cont T \$343 | ±8.86 | Boundary Agen Food Vald Fortillo S 108 - 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Rate cut hopes and Wall Street lift equities

By Steve Thompson, UK Stock Market Editor

What is expected to be an important week in the UK equity market commenced with a confident performance from the leaders yesterday.

Helped by another strong showing by Wall Street, plus a steady, if unspectacular, official debut by National Grid shares and modest gains by gilts, the market's top stocks finished just below the day's

The motivation behind yesterday's advance was the market's conviction that a series of international interest rate reductions could

Mr Kenneth Clarke, the chancellor of the exchequer, meets Mr Eddie George, the governor of the Bank of England, on Wednesday morning to discuss monetary policy. The Bundesbank council meets on Thursday for the same reason and also to determine Germany's monetary targets for next year.

Next Tuesday, the US Federal Reserve's Open Market Committee meets to discuss monetary policy. Dealers in London said the market was expecting moves in UK and German rates: "The feeling is very positive towards rate cuts; if they do not materialise, then we could be in for trouble," said the head trader

at one London securities house.

expiry of the December index and options, due on Friday, would see the market squeezed higher.

At the close of a session mostly dominated by very heavy activity in National Grid stock, the FT-SE 100 was 22.1 up at 3,652.1, only 28.3 short of its all-time closing high and 31.5 below its intra-day peak.
The FT-SE Mid 250 index man-

aged a more mundane performance, posting a final reading of 3,936.9 for a net gain of 3.7. The underperformance came in spite of a substantial list of big winners in the second-tier index. These included Inchcape, rallying strongly after its demotion from the FT-SE 100 which was

He also pointed out that the accompanied by heavy selling by index tracking funds.

LONDON STOCK EXCHANGE

Package tours group Airtours climbed 6 per cent, with the market relieved that its preliminary numbers were no worse than had been expected. And Laporte was supported after the sell-off that accompanied last week's profits warning. But the day's main action took place in National Grid, where last week's hints of book-building to

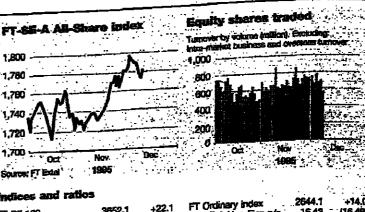
place stock owned by Manweb and Norweb – now owned by Scottish, Power and North West Water were confirmed. Some 181m Grid shares were sold to institutions at 208p a share yesterday by Kleinwort Benson and UBS acting jointly. The

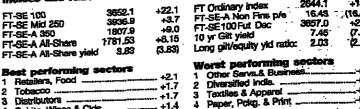
operation was said to have gone very smoothly.

Another regional electricity company, rumoured to be Southern, was said to have sold a block of 25m Grid shares via a bought deal at 204%p.

Turnover in equities jumped to 1.1on shares and was extremely inflated by the National Grid activity, which accounted for 42 per cent of the market's total busin

Top performers in the Footsie were London Electricity, reflecting hopes that its link with Thames Water will provide big cost savings, and Royal Bank of Scotland, which attracted revived takeover





Steel's mettle tested

A profits warning from big French steel producer Usinor, plus a significant portfolio reduction by a leading fund group, sent British Steel crashing to the bottom of the Footsie rankings in heavy volume. Sentiment was also hit by

rumours that a top broker had changed its stance on the shares with a move from hold to sell. BS, which has come down from a peak of 191p since September, finished 51/2 off at 161% o in 13m traded. Usinor warned that second

half profits were going to be lower, but it was the group's uncompromisingly bleak view of European steel prices that mostly unsettled BS investors. Mercury Asset Management announced that it had reduced its shareholding in BS by almost a percentage point. It retains a 15 per cent equity stake. There were fears yesterday that the fund management group could be planning further disposals.

Grid debut

First day of trading in National Grid may have seen 424m shares changing hands. But it was more of a short cir-

cuit than an electrical storm. Voltage was turned down by an announcement at the start of trading that North West Water and Scottish Power were selling 181m National Grid shares through a global book-

building. North West was liquidating 100m shares acquired through its takeover of Norweb, and Scottish disposing of 81m shares obtained after it bought Manweb.

Index tracking funds keen to

build a weighting into the new Footsie stock preferred the comparative calm of a bookbuilding auction to scrambling around in the market for stock. Dealers said the sale, handled by Kleinwort Benson and UBS, was 12 per cent oversubscribed at the strike price of 208p a share. And as the Seaq dealing screens counted the volume of both the buyer and the seller, the sale made up 362m shares of the day's total.

With 1.69bn shares in issue, the turnover (excluding the North West and Scottish sale) of 57m shares was less than impressive, according to one analyst. Almost half of that was done in one trade. Some dealers said the 25m-share block represented a stake sale by Southern, but there were also suggestions that one broker had sold short in anticipation of National Grid shares slipping back.

In price terms, expectations of a 220p-a-share National Grid debut proved misplaced. The stock, which had already traded on the grey market for some time, opened at 209p and barely moved throughout the day before closing at 2091/ap.

Bank bid talk

Bid talk shifted back to the banks sector as Royal Bank of Scotland climbed 17 to 584p and Abbey National 12 to 638p. Speculation hinged on HSBC improving its UK high street presence by making a move on one of the two banks. While Abbey offers the prospect of a broad geographical base, RBoS appeared the most likely candidate. Analysts pointed to the latter's lower prospective

price/earnings ratio and

greater synergy with Midland, HSBC's current outlet. Consensus forecasts for a take-out bid are around 700p a share, although bullish analysts argued that, to be comparable with Lloyds' acquisition of TSB, an offer would need to be nearer to 800p a share.

HSBC put on 31/4 at 999:4p.

Profit-taking continued to dent British Aerospace, which has had a strong run recently, partly on the back of hopes for a flotation of the Orange mobile phone system, in which BAe is a big stakeholder. Down 7 on Friday, the shares dipped a further 16 to 777p.

Talk linking P&O with strug-

gling engineering and construction conglomerate Trafal-

gar House depressed the transport group's shares. They closed 11 lower at 464p.

Weekend press comment helped to revive speculation that P&O was about to buy Trafalgar's cruise business, if not put in a bid for the group as a whole. Most analysts felt the rumours needed to be taken with a pinch, or even a

fistful, of salt. Trafalear which announces annual results on Friday, lost 21/2 at 27p in 5.2m volume.

"There has been a bit of P&O stock on offer lately. Recent institutional disenchantment with the shares has been quite significant," said one leading sector watcher. The shares stood at 637p earlier this year. The stores sector moved

ahead on a combination of hopes of interest rate cuts and some suggestions that sales during the Christmas period are likely to be better than originally anticipated.

FINANCIAL TIMES EQUITY INDICES

	Dec 11	Dec 8	Dec /	Dec o	Deca	Trago	High	LD#	
Ordinary Share	2644.1	2630.1	2635.0	2648.4	2651.1	2265.7	2676.1	2238.3	
Ord. div. yield	4.06	4.08	4.07	4.05	4.05	4.61	4.73	4.02	
P/E ratio net	15.86	15.76	15.79	15.89	15.69	17.09	21.33	15.35	
P/E ratto n#	15.68	15.59	15.62	15.72	15,72	16.67	22.21	15.17	
"For 1995, Ordinary F7 Ordinary Share (hgh 271;	3.6 2/02/94	4: low 49.4	25/6/40		

Ordinary	Share	hourty	change	9						
Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Los
2630.6	2632.8	2638.1	2641.9	2643.8	2645.6	2641.5	2637.8	2641.8	2645.6	2630
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SEAQ be	rgains		31,01	B 28	,040	26,780	27.9	06 3	1,069	19,9

Shares traded (-	575.2	690.0	657.3	784.4	577.7
(Excluding intra-m	orket busines	s and over	was turno	rer.			
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Rises and talks	1	1985 H	ghs and	lows	LIFTE EQ	uity option	E
Total Rises	586	(Total Hi	ahs	122	Total con	tracts	20.663
Total Falls	651	Total Lo		48	Calls		12,844
Same	1.620				Puts		7,819
Dec. 11 'Data b	ased on Eq	uity share:	listed or	the Lond	on Share Se	rvice.	

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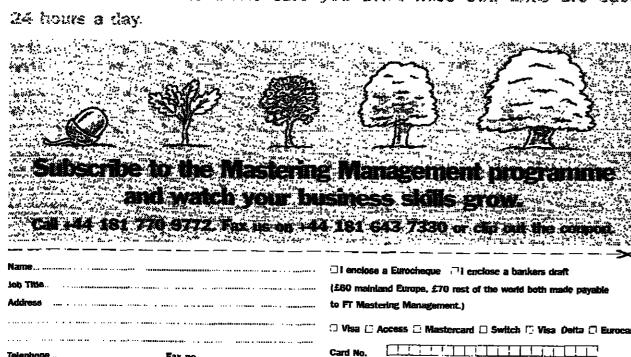
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Boots was among the day's big gainers. The shares put on 7 to 589p, while Sears firmed 21/2 to 99p. Strong demand for new Footsie constituent Argos created a squeeze in the stock, which ended 17 ahead at 596p. Last week's announcement of boardroom changes at Great

Universal Stores continued to boost the stock, up 13 at a new high of 678p. Seasonal demand and interest rate hopes also spread to food retailers, with the sharp-

est gain registered in Tesco ahead 10 at 299p. Asda, which reports interim figures on Thursday, hardened 21/4 to 105%p. Argyll rose 7 to 316p. Guinness was in demand after it was said that NatWest Securities was recommending the stock. The shares added 91/4

at 461p in trade of 5.4m. With the Christmas period favourable for drinks producers, there were buyers of several of the best known stocks in the sector. Allied Domecq moved up 51/4 to 501p and Grand Metropolitan also 51/2 to 450p. Bass gained 5 at 720p on 5m dealt and Scottish & Newcastle was 71/4 ahead at 603p. Greene King, which reported a 13 per cent increase in interim profits to £11m, was 4 up at 633p.

The market was relieved that figures from tour operator Airtours, published yesterday, had included "no funnies", as one observer put it.

The shares responded by jumping 22 to 358p. Analysts were particularly disappointed by the retreat in UK figures. However, they were heartened by the progress of the Scandinavian side of the business. Several brokers indicated they would be upgrading cur-

rent year profits expectations by around £10m to about £80m. London Electricity moved forward 29% to 698p, on the ex-National Grid basis, on talk that the company is poised to form a cost-saving alliance cape, which has fallen from 350p since early August on dividend worries and loss of Footsie status, rebounded 161/2 to 223p and headed the FT-SE Mid

250 rankings. The shares added Media group WPP improved 5 to 151p, with turnover of 14m shares helped by a number of agency crosses. Panmure Gordon, the broker, has been organising a company visit to

Scottish institutions Healthcare group Shield Diagnostics leapt 45 to 168p after a tip in one Sunday newspaper. British Mohair, the textile group, plummeted 39 to 134p after warning that profits for the second half of the year would fall below analysts

MARKET REPORTERS:

Peter John, Joel Kibazo, † Long deled styley studies.											
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Issue	Amt	Mid.				Close					
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-	F.P.	2.13	10		TArion Proces	9		₩-	-	-	-
306	F.P.				BZW Eos Bermuda	301	+7	y-	-	-	-
-	F.P.	61.8	104		Bersield & Rea	103		-	-	-	-
290	F.P.	215.1	347	298	CMG	337		FM4.8	1.2	1.8	17.4
-	F.P.	26.0	29	26	Cash Converters	· 26		Mv2.6	5.1	12.5	19 <i>.</i> 4
150	F.P.	72.1	160		Contworth	151	+1	FN5.8	2.1	4.8	124
-	F.P.		110	108	Cox insurance	110		-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	51_0	102	. 26	Finsbury Tech	102	+2	-	-	-	-
-	F.P.	14.6	145	125	Gardiner (L)	130	-8	-	-	-	-
200	F.P.	21,9	203	203	Gearhouse	203		1,44.4	3.5	2.7	13.3
-	F.P.	3,67	116	88	Jasmin -	90	-5	-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.8	9612	83 ¹ 2	Martin Currier Jp	96 ¹ 2	护	-	-	-	-
-	F.P.	2.24	34	29	Do Wagants	. 33	_	-	-	-	-
204	F.P.	3,542.8	211	20712	National Orld	20312	ᅪ	Wv11.23	2.3	8.7	9.4
200	F.P.	78.7			Peptide Thipeutics	232	-Ž	-	-	-	-
-	F.P.	86.6	358		Tet City	357	42	-	-	-	-
-	F,P,	1.07	105		Revelation Polity.	100		-	-	-	-
	F.P.		45	35	Trocadero	41	-2	-	-	-	-
	F.P.		280	263	Vero Group	271		FWV5.1	1.8	24	29.9
-	F.P.	45.0	63	55	Wilmington	63	+1	V-	-	-	29.6

FT GOLD MINES INDEX						P/E	52	
		on day	7	3 29 0	Gross div yieki %	ratio	High	Low
Gold Mines Index (34)	. 1963.82	+0.9	1951.92	1863.66	1.80	·	2063.66	1637.9
≋ Regiosei Indices								
Africa (16)	2537.93	+1.6	2497.21	2999.09	3.92	22,71	3191.21	2272.7
Australiana (6)	2386.47	-0.3	2395.99	2313.83	2.06	37.41	2607.57	
North America (12)	1753.42	+0.8	1738.74	1460.51	0.77	50.41	1831.00	1348.1

	80	UI LONG	ion Town	80		-	-	-	-
- F.P. 32.8	9612 8	13 ¹ 2 Mari	in Cumie Jo	96 ¹ 2	+12	-	-	-	-
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200 F.P. 78,7			ide Thipeuti		-2	-	-	-	-
- F.P. 86.6		345 †Pe	t City	357	42	-	-	-	-
– F.P. 1.07	105	100 †Re	valation P'dii	ly 100		-	-	-	-
- F.P. 173.1	45	36 †Tm	C3Cero	41	-2	-	-	-	-
- F.P. 164.2				271		RWv5.1	1.5	24	29.9
- F.P. 45.0	63	55 Wiln	HIDDOR	63	+1	v-	-	-	29.6
FT GOLD	MIN	ES I	NDEX				-		
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FT GOLD	Dec 8	% chg on day	Dec Y	go yluki	*	ratio	High	L	
	Dec 8	% chg on day	Dec Y	go yluki	*	ratio	High	L	
Solid Milnes Index (34)	Dec 8	% ctg on day ? +0.9	Dec Y 7 a 1951.92 19	ge yleki 83.66 1.8	<u>*</u>	ratio	High 2063.	E 16	37.91
Solid Mines Index (34) Il Regional Indicas	Dec 8 . 1969.8	% ctg ou day 2 +0.9 3 +1.6	Dec Y 7 a 1951.92 19	ge yteki 83.66 1.8 99.09 3.9	%- D	22.71	High 2063.	E 16	37.9 1

nternational trader in		12/92. † 1	Pertial, La	est price			this edition	n. —		
T - SE Actuaries Sh	nare In	dices						Ţ	ne UK S	eries
	Dec 11	Day's chge%	Dec 8	Dec 7	Dec 6	Year sgo	Div. ylekt%	Net cover	P/E Xd ad ratio ytd	ij. Total Return
-SE 100	3852.1			3639.5			3.95	2.09	15.11 143.3	
'-SE Mid 250 '-SE Mid 250 ex law Trusts	3936.9 3944.9				9 3959.9 9 3973.1		3.58 3.73	1.83 1.89	19.10 181.7 17.74 193.9	
-SE-A 350	1807.9				7 1814.3		3.87	2.04	15.82 73.60	1476.46
-SE-A 350 Higher Yield -SE-A 350 Lower Yield	1802.8 1817.8				7 1809.0 1 1824.4		4.90 2.80	1.84 2.40	13.83 94.64	
-SE SmallCap	1937.97				1950.89		3 33	1.70	18.59 51.08 22.10 60.57	
-SE SmallCap ex Inv Trusts	1913.57				1929.60		3.57	1.77	19.77 63.65	1554.21
'-SE-A ALL-SHARE	1781.53	+0.5	1773.35	1778.74	1788.24	1465.19	3.83	2.02	16.15 71.28	1478.34
FT-SE Actuaries All-S	snare	Day's				Year	Div.	Net	P/E Xd ad	. Total
	Dec 11		Dec 8	Dec 7	/ Dec 6		yleid%	COVEL	ratio ytd	r. rous
O MINERAL EXTRACTION(25)	3177.04	+0.7	3156.27	3179.36	3165,87	2582.45	3.69	2.02	16.60 116.7	2 1336.92
2 Extractive Industries(7)	4217.36				4270.17		3.51	251	14.20 144.1	7 1209.33
5 Oil, Integrated (3) 6 Oil Exploration & Prod(13)	3222.74 1952.69				3195.57 1982.49		3.82 2.57	1.96 1.49	18.74 123.19	
O GEN INDUSTRIALS(277)	1915.21				1921.26		4.34		32.51 49.88	
1 Building & Construction(38)	1008.80				1013.12		4.02	1.89 2.0t	15.25 80.27 15.49 38,89	
22 Building Matis & Merchs(31)	1743.56				1772.14		4.23	2.04	14.47 73.55	
23 Chemicals(23)	2305.76				2348.89 1730.50		4.26	1.87	15.72 94.71	1073.26
34 Diversified Industrials(20) 25 Electronic & Elect Equip(36)	1727.88 2099.20				2064.73		5.75 3. 5 9	1.56 1.99	13.97 97.90 17.48 62.44	
26 Engineering(68)	2147.63	-0.3	2154,14	2157.79	2153,88	1766.19	3.52	2.28	15.61 73.78	1285.23
27 Engineering, Vehicles(13)	2505.23 2447.74				2438.26 2457.67		3.75	1.16	28.64 93.56	
P3 Paper, Pokg & Printing(27) P3 Textiles & Apparel(21)	1429.04				1459.36		4,10 5.01	2.50 1.84	12.18 96.80 13.58 71.38	
O COMSUMER GOODS(88)	3584.25				3604.56		3.80	1.80	18.27 130.3	
31 Breweries(17)	2792.61	+0.9	2767.29	2774.44	2763.89	2130.10	3.72	=-	18.27 130.33 17.53 69. 57	
2 Spirits, Wines & Ciders(9)	2817.43				2775.81		4.31	1.77	16.43 125.07	7 997.10
l3 Food Produce/s(24) 14 Household Goods(11)	2554.64 2558.78				2548.35 2589.81		4.04 3.74	1.81 2.13	17.10 99.04	
16 Health Care(17)	1943.83	+0.2	1939,90	1944.43	1941.28	1538.42	2.72		15.69 90.95 25.73 49.84	
7 Pharmaceuticals(10)	5053.02	+0.5	5026.17	5070.80	5157.75	3076.84	3.26	1.70	22.50 162.31	1687,66
8 Tobacco(1)	4726,75				4773.34		5.07	1.94	12,68 229,20	1143,54
0 SERVICES(227) 1 Distributors(30)	2208.38 2517.29				2209.55 2480.72		3.04 4.00	2.10 1.77	19.58 67.22	1131.36
2 Letsure & Hotels(30)	2624.37				2641.72		3.09	1.89	17.69 100.38 21.43 73.67	1334 20
3 Media(43)	3500.20				3571.05		2.04	2.38	25.71 79.91	1252.09
i4 Retailers, Food(16) i5 Retailers, General(44)	1941.94 1912.95				1942.83 1871.27		3.74 3.11	2.39	13.99 72.35	1216.00
18 Support Services(37)	1853.01	+0.2	1849.97	1842.77	1848.90	1454.01	2.50		17.72 59.48 19.86 42.58	
8 Transport(20)	2149.97				2175.51		4.08	1.30	23.58 86.39	682,91
1 Other Services & Business(7)	1096.85			_	1119.27		4.30	_	18.37 50.09	992,02
10 utilimes(36) 12 Electricity(14)	2424.34 2788.69				2447.61 2815.11		5.07 4.90	2.03 2.62	12.13 175.46	
54 Gas Distribution(2)	1518.97	+0.8	1506.17	1522.29	1544.68	1996.55	7.89		9.75 394.34 15.23 119.82	762.00
6 Telecommunications(7)	1980.53				1983.02		4.31	1.74	16.86 58.90	875.18
8 Water(13)	2117.43				2116.60	_	5.59	2.64	8.47 106.36	_
9 NON-FINANCIALS(652)	1874.82				1880.94		3.90		16.43 77.84	
'O FINANCIALS(113) '1 Banks, Retail(9)	2894.00 4124.50				2915.00 4138.59		3.87 3.55	2.43 2.80	13.31 107.91 12.59 140.81	1210.20
72 Banks, Merchant(6)	3606.99	-0.1	3608.96	3612.60	3613.55	3080.62	2.58		12.58 140,81 20.09 104,97	1130.76
3 Insurance(25)	1422.92				1455.87		5.17	2.68	9.02 73.13	1042.52
/4 Life Assurance(6) /7 Other Financial(22)	3421.14 2420.65				3485.54 . 2419.77		4.08 3.70	1.53 : 1.85	20.02 136.7 <u>2</u> 18 26 : 71 46	1383.78
9 Property(45)	1391.29				1400.05		4.49		18.26 · 71,46 20.68 · 62,43	
O INVESTMENT TRUSTS(133)	3006.70				2998.60		2.24		53.37 62.32	
9 FT-SE-A ALL-SHARE(806)	1781,53	_			1788.24		3.83		16.15 71.28	1478.34
SE-A Fledgling	1106.13	+0.1	1105.28	1104,62	1102.59		2.88		34,47 38,41	
SE-A Fledgling ex inv Trusts	1107.10				1105.37	~	3.03		31.45 38.61	1149.37
Hourly movements										
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-SE 100 3633.1 3634.3 -SF MGH 260 3831.9 3833.2					3653.5 3030 a	3648.6	3843,4	3652.1	9654.2	3633.1
SE Mid 250 3831,9 3933,2 SE-A 350 1800.0 1800.1					3939.6 1808.7	3938.7 1806.7	3935.4 1804.3	3936,3 1807.8	3939.8 1809.0	3931.9
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o of FT-SE 100 Day's high: 1.11pm Day's	low, 6.30er	n. FT-SE	100 1895	Hagis 36	80.4 (1/12)	LOW: 2954	(2 (23/1).			
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18% 12% Stly40
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NYSE COMPOSITE PRICES 4 pm close December 11 NASDAQ NATIONAL MARKET 4 pm class Gecember 11 | 1065 | 1064 | 1064 | 1064 | 1065 | 1065 | 1065 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | 1066 | PV Six Stack Div. 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E 100a Bigh Low Last Damp 194, P/ 5%; 6% % E 1000 Fage Sanck ARS dots 120 9 5 29 64 64 19 64 19 64 65 65 6 200 10 22 21 046 22 16 22 0.30 20 903 38 38¹2 37¹4 1.20 12 20 47¹4 47 47¹4 0.20 30 57 7¹4 7 7¹4 Continued from previous page Ocasicomes 77 9408 42½ 40½ 41 -% Ocasi Foog v 0.20 15 223 20¼ 19¼ 19¾ 12 - V 57¹4 4854 W CD x 1.36 2.8 12 1124 52¹5 51¹4 51¹4 51¹4 52¹7 16¹2 Wester C 0.52 2.0 386 25¹4 25¹7 25¹7 25¹8 55¹8 4 Wallel Inc 0.12 2.0 13 38 6 5¹7 8 28 40¹4 21¹4 Walnel50 10.2 2.0 13 38 6 5¹7 8 28 40¹4 21¹4 Walnel50 10.0 12 0.0 13 57¹5 16 28 60¹4 21¹4 Walnel50 10.0 10.0 130 55¹5 6¹7 8 1¹8 11¹8 11¹8 Walnel504 10.0 10.0 130 57 8 1¹9 6¹9 65¹9 6¹9 11¹9 .08 9 48 11½ 11½ 11½ 0.44 12 245 11½ 11½ 11½ 133 2016 1919 1719 1719 -12 25 1708 u3512 3314 3514 +178 0.80 15 52 27¹4 26¹2 27¹4 4¹4 0.113 5 27¹4 26¹2 27¹4 4¹4 0.11 38 5 112 12 12 12 12 13 12 25¹9 25¹4 25¹8 13 12 25¹9 25¹4 25¹8 13 14 25¹9 25¹4 36¹4 36¹5 11 4 36 4760 5 51¹4 56 11 4 11 1000 275 375 13 175 175 18 Kelly Sv Rentscky Nambali NLA Inst: Koll A - R -11 3006 274 254 274 +14 2414 163 WMS ind 313 274 WP, Holdin 313 274 WP, Holdin 313 274 WP, Holdin 314 31 13 1193 454 482 483 19 19 1014 Watchenhat 11 1014 Watchenhat 11 1 - W -RS Fm 0.60 19 6 3444 7945 3948 -16 Ryan Fmey 11 3750 7 614 7 -14 - M -16 340 6¹3 6 6 ¹8 0.24 10 10 7¹4 7¹4 7¹4 ¹3 0.02 59 1714 40¹2 39¹2 40¹2 -1 286 1020 38¹4 28¹3 28¹5 140 17 1510 74 72¹2 72¹2 -1 11255 1¹/₂ 1 1¹/₂ -1 0.24 4 681 10¹4 9¹/₂ 10¹/₂ +¹/₄ 31 3042 38¹/₂ 38¹/₄ 38¹/₂ -1¹/₃ 112 13 2280 u85 48¹/₄ 47¹/₄ -1 1.12 12 300 38¹/₂ 38¹/₄ 35 ¹/₂ 1.88 13 1030 u85 4¹/₄ 61¹/₅ 61¹/₆ +¹/₆ 1.20 14 32 48¹/₂ 48¹/₂ 48¹/₂ Figge A Filenet First Am Secty 1.12 12 1300 351g 344g 355 — a Tenn 1.88 13 1030 u51 la 61 - X - Y - Z -3.00 2.1 17 2730 142\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 140\(\frac{1}{2}\) 125 5.2 20 46 24\(\frac{1}{2}\) 24 24\(\frac{1}{2}\) 140\(\frac{1}{2}\) 125 5.2 20 46 24\(\frac{1}{2}\) 24 24\(\frac{1}{2}\) 140\(\frac{1}{2}\) 150 16 209 46 45\(\frac{1}{2}\) 45\(\frac{1}{2}\) -\(\frac{1}{2}\) 0.14 4.5 7 223 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 21\(\frac{1}{2}\) 21\(\frac{1}{2}\) 0.17 10.9 314 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 6\(\frac{1}{2}\) 15\(\frac{1}{2}\) 16\(\frac{1}{2}\) 15\(\frac{1}{2}\) 11\(\frac{1}{2}\) 12\(\frac{1}{2}\) 12\(\f Boddeny Wx 0.08 12 11 17/2 17/3 17/2 -4 Blogen 255 252 64/4 53/4 63/4 -12 Block Drg x 1.08 14 67 37/2 37 37.11 +11 BMC Softw 25 6471 44/2 40/2 41/2 +3/4 18 Boddens x 0.18 13 2365 62/4 41/8 42/4 +18 Boddens x 0.18 13 2365 16/4 17/8 42/4 -18 Boddens x 0.18 13 2365 16/4 17/8 42/4 -18 - T -18 2656 9⁵8 9¹8 9¹4 -24 Boole 8 B 19 45 24 24 24 Borland 7 8057 19½ 18⅓ 19 + ⅓ Boston Bix c 0.76 10 485 39 38⅓ 38⅓ 38⅓ - ⅓ Boston Bix c 0.76 10 485 39 38⅓ 38⅓ 38⅓ - ⅓ Boston Bix c 0.76 10 485 39 38⅓ 38⅓ 38⅓ - ⅓ Boston C 61 1252 14⅓ 14⅓ 14⅓ 14⅓ Brench 128 9 1435 10⅓ 10⅓ 10⅓ 10⅓ 10⅓ 11⅓ BSB Bronp 0.88 8 27 c 24 22⅓ 24 +1⅓ BT Stopng 0.48 48 10 3⅓ 3⅓ 3⅓ 3⅓ Buffets 17 651 14 13⅓ 15⅓ Buffets 19 33 8⅓ 6⅓ 8⅓ 1⅓ 1⅓ Bushess 19 33 8⅓ 6⅓ 8⅓ 1⅓ 1⅓ Bushess 22 20 38⅓ 38⅓ 38⅓ Bushess 22 20 38⅓ 38⅓ 38⅓ Bushess 22 20 38⅓ 38⅓ 38⅓ FY Free Annual Reports Service for our orbito for conset simulatesian report of any contents successful with \$ Please upon the cold FTMS Reg 0181 770 1070 open 24 locus including weekends or for 0161 770 1822. 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Reports will be sent on the most working day, mitject to methology. - C -| Hrisings.ser | 10 | 53 | 17 | 305 | 5 | 5 | 5 | 6 | 6 | | Historyei | 0,76 | 11 | 447 | 233 | 31 | 2 | 32 | 4 | +14 | | Historyei | 0,76 | 11 | 447 | 233 | 31 | 2 | 32 | 4 | +14 | | Historyei | 118 | 218 | 117 | 11 | 117 | 117 | 1 | 1 | | Historyei | 0,16 | 72 | 5573 | 405 | 2 | 554 | 455 | 4 | 41 | | Historyei | 23 | 2396 | 42 | 40 | 3 | 41 | 3 | -14 | | Historyei | 256 | 440 | 440 | 3 | 41 | 3 | -14 | | Historyei | 256 | 440 | 440 | 3 | 10 | -7 | | Historyei | 256 | 440 | 440 | 3 | 11 | 5 | 11 | 5 | | Historyei | 256 | 440 | 440 | 440 | 440 | 440 | | Historyei | 257 | 245 | 440 | 440 | 440 | | Historyei | 257 | 244 | 245 | 245 | 245 | | Historyei | 257 | 244 | 245 | 245 | 245 | | Hough Sys | 215 | 2010/10/10/15 | 245 | 247 | 246 | | Hough Sys | 215 | 2010/10/10/15 | 245 | 247 | 246 | | Hough Sys | 215 | 2010/10/10/15 | 245 | 247 | 246 | | Hough Sys | 215 | 215 | 215 | 215 | 215 | 215 | 215 | | Hough Sys | 215 | 215 | 215 | 215 | 215 | 215 | 215 | | Hough Sys | 215 | 215 | 215 | 215 | 215 | 215 | 215 | | Hough Sys | 215 | 215 | 215 | 215 | 215 | 215 | 215 | | Humbleck | 28 | 25 | 115 | 215 | 215 | 215 | 215 | | Humbleck | 28 | 25 | 245 | 245 | 25 | | Humbleck | 28 | 25 | 245 | 245 | 25 | | Humbleck | 28 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Humbleck | 28 | 25 | 25 | 25 | 25 | | Hum **AMEX COMPOSITE PRICES** 4 pm clase December 11 NW As Novell Hovellus NPC bit NSC Corp 15 2762 1054 534 544 472 12 4874 52½ 51¼ 51¾ - ¼ 187290 15% 14% 14% - ¾ 13 5769 60¼ 56½ 59½ +1 10 588 75 6½ 6½ 6½ 1½ 7 2 1.15 1.15 1.15 | P/ Sta | Stock | Disc. E 100e High Low Close Ching | Russace | 96 125 37e 37e 37g 37g | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 200 | No. 20 P/ State Stock Div. 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Dow boosted by increase in oil prices

Wall Street

Blue chip shares came back from losses made at the end of last week as debate continued as to whether the Federal Reserve would lower interest rates next week, writes Lisa Bransten in New York.

in early trading the Dow Jones Industrial Average was up 28.54 at 5,185.40. The Standard & Poor's 500 reversed nearly all of the losses made late last week, improving 2.65 to 620.12.

The Dow received a boost from rising oil prices which helped to lift Exxon and Chevron, two of the index's main components. Exxon added \$2% at \$84 and Chevron was \$11/2 stronger at \$52% as crude oil futures prices rose to a sixmonth high.

The American Stock Exchange composite index. however, slipped 0.03 to 535.52. Volume on the New York SE came to 192m shares.

The technology-laden Nasdag composite, which stumbled earlier in the week and began to recover on Friday, edged up 0.37 to 1.062.78.

The Nasdaq strengthened in spite of a \$% loss made by Microsoft, the biggest company on that index, that brought its share price to \$93%. Intel, the second biggest Nasdaq company, added \$% at \$63%.

Internet shares were mixed. Netscape Communications, the internet software company, fell \$5% to \$123%, spurred by a downgrading of its shares by a broking house, and by publicity surrounding Microsoft's But Spyglass, which is Nets-cape's closest competitor and has a licensing agreement with Microsoft, added \$1% at \$99% to recover part of the \$9% it lost last Wednesday and Thursday.

Elsewhere, Maybelline, the US cosmetics company, climbed \$5% or 17 per cent to \$36% after L'Ofeal, the French cosmetics group, said that it would buy the company for \$660m or \$36% per share.

Toronto was unable to maintain early gains and the TSEweaker by noon at 4,737.11 in volume of 38.7m shares. Alberta Energy gave up C\$1% to C\$21% and Conwest

Exploration receded C\$% to C\$27% after Sunday's announcement that they had agreed to merge in an effort to create a dominant force in Canadian oil and gas exploration and production.

Diamond Fields Resources moved foward C\$% to C\$26% in brisk trade after the company impressed analysts on Friday with the latest results for the Eastern Deeps area of its Voisey Bay base metal

property.
TVI Pacific, heavily traded in recent sessions, firmed 3 cents to C\$2.20 after the company said that it had finalised financing for the first phase development of its Canatuan base and precious metals project in the Philippines.
Istar Internet dropped C\$1%

to C\$12%, following its US counterparts lower after Micro-soft said that it would refocus

Mexico weakens 1%

Mexico City fell during the late morning on fears of a rise in domestic interest rates later in

The IPC index was off 30.00 or 1.1 per cent to 2,625.39 by midsession. Volume was weak at 8.2m shares

BUENOS AIRES retreated slightly as investors reacted to proposed amendments to the 1996 budget in congress at the weekend. The Merval index slipped 3.17 to 460.49 at noon.

Analysts commented that

the legislators had agreed, in effect, to increase budget spending next year.

Traders said unwinding of positions ahead of this Friday's options expiry would also weigh on the market through-

out the next few sessions. SAO PAULO was in an uninspired mood as attention began to dwell on the settlement of futures and options tomorrow. The Bovespa index was regis-tering a decline of 216.83 at 42,776 by mid-afternoon.

<u> </u>	% (lange in lot	d convocy †	·	% charge starting ?	% champs in US\$†
	1 Week	4 Weeks	1 Year	\$2art of 1985	Start of	Start of 1965
Austria	+0.59	+4.09	-10.57	-11.39	-2.83	-5.13
Belgium	+0.42	+5,27	+10.32	+11.32	+21.89	+19.01
Denmark	+0.74	+4.10	+7.63	+4.38	+16.14	+13.39
Finland	-5. 2 6	-5.62	+2.41	+2.12	+14,46	+11,76
France	+1.55	+0.91	-3.15	+0.05	+9.77	+7,17
Germany	+0.49	+4.37	+8.31	+5.27	+15.43	+12.69
Ireland	+0.89	+4.11	+24.94	+20.48	+26.20	+23.22
Italy	+1.09	-0.28	-5.58	-9.65	-5.51	-7.76
Netherlands	+0.87	+6.61	+16.59	+14.28	+25.33	+22.36
Norway	+0.15	+2.51	+3.47	+0.09	+8.90	+6,31
Spain	-0.36	+7.50	+5.13	+12.25	+22.57	+19.67
Sweden	-1.61	+1.62	+19.30	+19.86	+37.12	+33,87
Switzerland	-0.30	+3.94	+24.99	+23.07	+40.82	+37.48
UK	-1,31	+2.73	+19.25	+17.22	+17.22	+14.44
EUROPE	-0.26	+3.10	+12.22	+11.23	+18.39	+15.58
Australia	+1.29	+2.75	+18.39	+14.55		+8.77
Hong Kong	-0.00	+4.65	+17.36	+15.85	+18.71	+15,90
Japan	+213	+7.51	+1.08	-1_12		-2.56
Malaysia	+0.57	+10.14	+3.96	-1.12	+1.88	(-0.53
New Zealand	-1.43	4.13	+7,14	+8.54	+12.00	+9.35
Singapore	+1.78	+6.20	+4.85	+0.56	+6.12	+3.61
Cenada	+1.61	+3.85	+16.52	+12.09		
USA	+1.57	+3.97	+38.30	+34.30		
Mexico	-1.79	+14.83	+7.91	+9.06	-29.06	-30.74
South Africa	+5.07	+4.03	+23.62	+3.56	+17.85	+15.05

MARKETS IN PERSPECTIVE

Lingering hopes of monetary easing in both the US and Germany underplaned investor sentiment, but the Nikkei average closed lower on profittaking and technical seiling, writes Emiko Terazono in

19,226.78 after moving between 19.162.02 and 19.377.94. Traders said some investors were becoming worried following the Nikkei's rally last week which lifted the benchmark by 454 points, and that the market needed "cooling off".

against Friday's 1.06hn. Selling came from domestic institu tions and dealers' liquidation of arbitrage positions, some foreign investors, and employees' stockholding groups investing year-end bonus

1,523.66 and the Nikkei 300 gave up 1.09 to 286.26. Declines led rises by 539 to 514, with 166

Some analysts feared that foreign bonds, while other

Nissan Motor fell Y14 to

ume of 198.2m shares.

up at Y613.

News that Foster's, the brewer,

sling by individual investors,

although the stock, regarded as

a core issue on the "digital video disc" (DVD) theme, was

the second most actively

traded issue of the day. The

DVD is to be marketed next

autum, and hopes that it will be a hit consumer electronic

product lifted other related

stocks, with Tsugami, a

machinery maker, ending Y58

In Osaka, the OSE average

rose 17.59 to 20,675.99 in vol-

gered rises in both stocks. For cent at A\$7.85

S African golds move higher

gain to finish at R115, while Angles moved forward R4.50

33.5 to 6,244.1, industrials rose 11.9 to 7,882.2 and golds col-

+4.71 +17.09 +14.70 +18.51 +15.70

Forms in parentheses	US	Day's	Pound			Local	Lecal	Gross	us	Pound			Local			Year
show curriber of \$1005	Dollar	Change	Sterling	Yen	DM	Cumency	% etg	Div.	Dollar	Starting	Yan	DM	Currency !		2 week	ago
of etock	MOET	%	index	index.	Index	Index	on day	Yield	index.	Index.	Index	- Anders	Index.	High_	سويا	(ablocod)
kuptaka (62)	196.70	-1.9	181.22	119.49	140.55	168.59	-0.6	3.92	198.55	181,79	120.60	H1.31	189.62	121.01	157.95	197.69
Austria (27)	17137	-0.4	168.28	110.96	130.51	130.42	-00	1.58	174.14	167.86	111.38	130.51	130.42	199.28	167.48	
Belgism (35)	200.45		194.56	128.29	150.89	147.18	0.2	355	200.88	193.67	128.48	150.55	146.88	201.54	164.78	
Reideru (24)	138.93	-0.4	134.85	88.92	104.58	247.10	-0.4	1.70	139.51	134.50	89.23	104.58		180.75	86.08	
9nzi (29		0.0	143.73	94.77	111.47	147.32	25	252	148.10		94.73	117.00		150.83	121.81	
Cerece (101)	285.53	-09	277.15	182.74	214.95	217.55	-06	7.50	288.25		184.36	216.03		295.96	236.61	200.56
Finland (25)	207 RZ	-20	201.72	133.01	156.44	188.89	-1.4	1.59	212.14		125.60	159.00		276.11	171.13	
France (199)	175.78	0.3	170 13	112.18	131.95	136.98	0.6	3.20	174.74		111.76	130.98	136.23	191.17	157.79	
France (190)	161 91		156.76	103.36	121.57	121.57	20	198	182 18		103,73	121.55		167.74	136.39	
Generally (52)	378.00	-0.1	386.91	241.93	284.55	375.33	-0.1	3.89	378.22		241.91	283.47		399.30	277.40	
Hong Kong (59)	254.11	-11	246.65	162 64	191.30		-0.5	3.37	257.05		184.41	792.66		260.87	195.34	
betard (18)			67.42	44.45	57.29	8242	0.0	1.77	89.39	86.90	44.38	92.01	82.62	62.71	65.45	
Taly (50)		-0.7	148 43	97.57	135.12	97.87	-0.6	0.78	151.97		98.48	115.40		164.50	138.96	
Septe (483)	470.84	-0.5	462.84	305.19	358.97	488.15	-0.8	1.76	450.94	463,64	307.61	360.46		561.98	390.16	
Metaysia (108)	080.86	-1.1	957.06	627.7G	738.38		-0.5	1.67	191.97	956.35	634.47	743.45		2043.18	847.B1	
Medco (18)		-0.1	257.59	169.84	199.78	196.30	62	3.33	265.71	256.18	169.95	199.15		296.70	207.60	
Nesterated (19)		-0.1	74 7B	49.30	57.99	63.43	02	4.57	77.97	7430	49.29	57.76		85.49	80.55	
Mary Zastend (14)	44.46 الريان		219.98	145.05	170.60		-0.5	214	229.78		146.33	171.46		263.70	198.73	
Norwey (93)	200								390.01	376.03	269.46	292.31	25401	414.25	313.94	
Carrerows 445		~4.5	375.16	247.37	290.97	252.05	-0.8	1.61								
C	367.40	-08	376.03	247.94	291.63		-0.7	3.84	390.55		249.80	292.70		390.55	261.08	
Carrier (1998	13/41	-22	153.28	10: 27	112.89	147.71	2.0	3.96	158.77		101.55	118.80		180.51	124.10	
Sweden (47)		~1.1	300.31	198.01	535.91	304.86	-0.8	1.97	312.74		200.03	234 <i>A</i> 0		321,50	225.00	
	227.11	-0.3	220.44	145.35	170.98	154.94	-00	1.51	227.75		145.67	170.60		230.31	150.30	
The state of the s	164.49	-0.5	159.67	105.28	123.83	190.59	-0.4	2.53	165.24	159.金	105.69	123.85	161.25	184,55	130,15	
United Kingdom (206)	222.97	-1.0	216.42	142,70	167.25	218.42	-03	4.05	225.18	217,10	144.03	168.77	217.10	228.33	187,07	
USA (636)		0.2	244.76	167.39	189.83	252_17	0.2	222	251.80	242.57	160.92	788.56	251.60	253.22	182.33	182.33
Acadicas (785)	229 69	0.2	222.94	147.00	17291	193,11	9.2	2.22	22922		146.61	171.79		230.60	170.66	
		-423	189.56	124.99	147.02	157.53	-0.7	3.04	196.35		125.58	147.18		199.02	163.04	
Marine 14 450	277.32	-12	269 15	177.49	208.76		-0.7	1.47	280.63		179,48	210.32	237.82	295.02	215.79	
People Basin (632)	162.76	-0.7	157.98	104.17	122.53	108.09	-0.6	1.21	153.65	157.97	104.80	122.80	109.73	171.87	145.93	159.62
Euro-Pacific (1569)	175.21	-0.6	171.03	112,77	132.65	130,84	-03	2.06	177.28	170,92	113.39	132.86	131,10	178.23	154,73	162.12
FIRST-LATER (1300)		0.2	238.53	157.29	1B4.99	245.14	0.2	223	245.21	238.41	156.83	183,77		245.00	178.85	178.86
North Assertch (740)	175.05		17078	112.61	132.45		<u> </u>	248	176.45		112.86	132.24		179.46	146.45	
Essope Ex. UK (531)	258 13		250 56	165.21	194.33	228.22	-04	324	259.63		188.06	194.59		265.72	211.19	
Pacific Ex. Japan (349)		-0.5	172.07	113.46	133.45	134.47	-63	2.10	178.34		114.07	133.66		178.73	155,42	
World Ex. US (1761)		-02	192.20	126.73	149.07	163.58	-0.1	1.96	198.37					198.37	183.46	
(EX (2194)	198.02									191,25	126.88	148.67	163.71			
World Ex. Japan (1917)	227.90	-0.1	22033	145.28	170.88	213.26	0.1	2.50		219.10	145,35	170.32	213,13	228.25	178.95	179.83
The World Index (2400)	200.25	-02	194 37	128.16	150.75	1681.30	-0.1	2.15	200.75	193.55	128.40	150,48	108.47	200.75	165.92	189.08

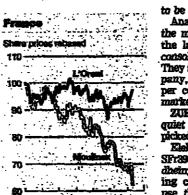
Moulinex slides, L'Oréal climbs in edgy Paris

A number of corporate stories in PARIS overrode the news that the government was to meet with trade union leaders; this move did not have as hig an impact on sentiment as had been feared, and the CAC-40 index slipped just 6.74 to 1,849.59 in low turnover of FFr2.7bn. Early in the day, fears were

expressed that the government might be about to make concessions to its reforms of the social welfare system. However, as trading progressed the apprehension began to evaporate, although there was still an element of confusion about the tactics being adopted by Mr Alain Juppe, the prime

Meanwhile, Moulinex, the household appliances group, slid FF18.00 or 9.4 per cent to FFr77.50 as it reported that operating losses rose by more than 30 per cent over the first six months to September 30. This was attributed to the negative impact of exchange rates effect of strikes at some of its factories during the summer higher raw material costs. increased spending on advertising, and the cost of launchine new products.

Usinor Sacilor, the steel company, tumbled FFr5.20 or 7 per cent to FFr67.95 after indicat-



ing that second-half performance in 1995 would be worse than that seen in the first six months. There had been expectations in some quarters that the group would reveal fullyear profits in the region of FFr5bn, following first-half profits of more than FF12hn. The company indicated that it might also be affected by the strike hitting the state railway system, which was one of its leading customers.

There was considerable interest in L'Oréal, which rose FFr12 to FFr1.275, after the cosmetics group amounced that it was acquiring the US-based Maybelline group in a deal said

Analysts generally welcomed the move, which they saw as the latest phase in a global consolidation of the industry. They said that the French company, currently, had some 8 per cent of the US cosmetics

quiet trade, and the SMI index picked up 15.0 to 3,261.6. Elektrowatt jumped SFr18 to SFr390 as Mr Stephen Schmidheiny's private Unotec Hold-ing confirmed that it might

use the SFr630m proceeds of the sale of its stake in Landis & Gyr to buy shares in the electricity generator. L&G was steady at SF1940 as the bourse authorities said that they were looking into unusually heavy trading in the stock before Elektrowatt announced its SFrl.8hn takeover hid last

to SFr825 and CS Holding, a major shareholder in Elektrowatt, was SFrl.25 higher at co-operation plans announced last week. Ciba registered rebounded SFr26 to SFr1,013, overcoming some of the sharp losses seen last week on news that it was curtailing trials of its Selfotel drug. MILAN was led higher by

FT-SE Adduance 17.00 12.00 18.00 14.00 15.00 Clase FI-SE Bendards 100 1498.08 1498.02 1497.39 1498.28 1498.08 1498.29 1497.32 1498.23 FI-SE Bendards 200 1571.22 1572.35 1572.05 1574.25 1574.32 1574.32 1574.07 1574.00 ZURICH was higher, but in

> further sharp gains in Olivetti with Wall Street, but it still and the Comit index picked up 4.91 to 564.12, while the realtime Mibtel index was 66

higher at 9,023. Shares in Olivetti, 10 per cent higher on Thursday, were suspended limit up when they shot to L1,317 during the afternoon session. Subsequently, they closed L102 shead at L1300 in very heavy volume of 79.4m shares, with strong foreign demand said to have been interest in the Omnitel mobile

telephone consortium. Fiat rose to a high of L5,030 on positive November sales figures but closed L42 up at 15,006 as the group ended months of speculation by announcing that Mr. Gianni Agnelli, chairman for the last 30 years, was to step down and that Mr Cesare Romiti, managing director, would take over. FRANKFURT picked up late

closed with the lhis-indicated Dax index only 2.69 firmer at 2.230.39 in turnover down from DM6.2bm to DM4.8bm The most noticeable features

were negative. Two big IPO Adidas and Merck, were among the leading Ibis losers with falls of DM1.40 to DM75.30 and 95 pigs to DM57.50, Merck after a DM2.78 drop on broker downgrades last Friday. German retailers, lively at

this time last week, were positive again about their weekend sales; but this week the market trimmed them back, Kauthof losing DM3 at DM448 and Karstadt DM3.60 at DM590.90. Mannesmann dropped

DM5.45 to DM468.10. Its Mobilfunk subsidiary said that sales were up 55 per cent in 1995, but the shares had been relatively weak since Goldman Sachs, reasonably happy about telebuilding materials trading, shock absorber and crane and excavator businesses, downgraded the stock late in 1

November. BRUSSELS was boosted by heavy Bel-20 basket buying. the key index ending 23.04 or 1.5 per cent higher at a new 1995 closing peak of 1,539.47 in

turnover of around BFr2.1bn. The least liquid Hel-20 stocks benefited the most, the utility holding company Tractebel climbing BF7775 or 6.7 per cent to BFr12,400, the steel cord and wire maker Bekaert by BFr700 to BFr24,350 and the shipping company CMB by BFr50 to

HELSINKI Saw Nokia A regain some of last week's losses, the stock rising FM11 or more than 5 per cent to FM221 as it followed last Friday's high-tech gains in New York. The Hex index rose 32.04 or 1.7

per cent to 1,880.17. ISTANBUL was weighed down by a cash shortage and political uncertainty ahead of the December 24 elections, the composite index losing 1,893.13 or 4.5 per cent to 39,953.29 after a gam of 6.4 per cent last week.

Written and edited by William

ASIA PACIFIC Nikkei consolidates after last week's sharp rally

The 225 index lost 60.19 at

money, were among buyers. The Topix index of all first section stocks shed 3.68 to

In London the ISE/Nikkei 50 index edged up 0.37 to 1,318.65 domestic institutions, especially banks and life insurance further. A recent survey by the Nihon Keizai Shimban revealed that only Daiichi Life to buy domestic equities and

Y756, losing ground for the

ny's Mexican subsidiary also from index heavyweights to second line issues. The comessed investor confidence. Other carmakers were also posite index slipped 4.79 to 2,496.04. Among the losers were Philippine National Bank and A plunge in Kyocera, the leading manufacturer of PLDT, while second liner ceramic packages for semicon-

ductors, prompted selling of and Filipino Telephone saw the high-technology issues. The stock dropped Y360 to Y7,690 TAIPEI rose for the fourth following last week's downstraight session as investors grade by Morgan Stanley continued to celebrate the (Japan). The decline of the recent parliamentary elections. The weighted index finished stock, previousiv bought as a semiconductor related issue, 73.21 or 1.5 per cent ahead at sent Hitachi down Y10 to Y1,040 and NEC Y20 lower to 4,958.13, off a high of 4,968.00. Turnover was active at TSAShn. Textiles led the gains, rising Toshiba eased Y5 to Y800 on

by 2.7 per cent as a group, with Huslon up 70 cents to 7\$19.70. Heavily weighted financials supported the upward momentum with a 2 per cent gain. Brokers said that, since late

had been buying equities, espe-cially financials. SINGAPORE saw further consolidation of blue chips and OTC shares, while second-liners and companies linked to focus of retail-driven speculation. The Straits Times Industrial index softened 2.17 to 2,145.89. Guthrie was up 3 cents

at 89.5 cents on takeover rumours, off a high of 92 cents. HONG KONG edged lower in thin trade, newspaper stocks losing ground after the outbreak of a price war in the local Chinese language market. The Hang Seng index slipped 28.44 to 9,835.17 as turnover shrank to HK\$2.4ba.

Among newspapers which cut their prices, Oriental Press

fell 52 cents to HK\$2.675 and

cents lower at 98 cents.

KUALA LUMPUR saw further profit-taking, the composite index-losing 2.18 at 974.78. Damansara Realty continued to surge in heavy volume. adding 18 cents at M\$2.08, on the prospect of the state government raising its stake in the company. SEOUL was led Electronics, which went limit

down on uncertain chip mar-

kets. The composite index fell 15.12 to 947.75 and Samsung Won9,500 to Won153,000. BOMBAY was broadly lower as investors took profits after last week's rally, and the mood was also disturbed by fresh worries about Reliance as details of a messy 1992 share switch became known. The BSE-30 index lost 39.09 at

to Rs203.60 in CALCUTTA, ITC, the tobacco-leisure and food congiomerate, dropped by Rs8 or 3.2 per cent to Rs246 as it named a new chairman. institutions, after a boardroom battle to oust the previous

chairman. Brokers commented

however, that the appointment

of Mr Y C Deveshwar, a former head of Air India, was likely to

be positive for the company in the long run. SHANGHAI's hard currency B shares fell to another low for the year, with investors unwilling to commit fresh funds to a declining market. The index shed 0.226 to 49.492. Worries over new listings left the A index down 18.767 or 2.8 per

CARCLO

Improved half year results

·		•	
Half year to 30 September	1995	1994	% Increase
Turnover - Continuing operations	£76.0m	£67.3m	+13%
Operating profit - Continuing operations	£8.2m	£6.7m	+22%
Group profit before tax	£8.2m	£7.3m	+12%
Earnings per ordinary share of 5p (FRS 3)	9.2p	8.2p	+12%
Interim dividend per ordinary share of 5p (net)	3.44p	3.20p	+7'/2%

- Healthy increase in turnover and operating profits in continuing operations
- High capital expenditure focused on strong organic growth opportunities
- Financially secure ungeared balance sheet
- Acquisition in October of Ashworth Card Clothing in the U.S.A. emphasises the intention to develop the core businesses

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